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AUTOMOTIVE MARKETING 1988

RETAIL AFTERMARKET GUIDE

The only factbook of th retail automotive aftermarket for indust veterans and newcom

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- **Who the DIY automotive c**
- **What consumer purchase**
- **What current operations**

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- *Top automotive retail chains*
- *Automotive distributors and*
- *Programmed distribution gr*
- *Discount/department stores*
- *Drug, food, hardware/hom*
- *Warehouse clubs and typ*
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INTRODUCTION

It all starts with one. Every super-sales-star made his or her first sale. Every business, no matter how large, had its first (and only) customer at one time. Every retail chain chose its first location. Every product line had its first SKU.

This book, the third edition of *Automotive Marketing's Retail Aftermarket Guide*, was created to help those people new to the automotive aftermarket make their first sale, gain their first customer, choose their first store site, decide which product to start their line with. *But...*

It is intended to do more than that. This *Guide* will continue the education of the veterans in the marketplace by helping them continue to make sales, add customers, broaden marketing areas, and add meaningful items to the products already in the line.

We've compiled the best information at hand to achieve this purpose of continued profitable growth in a rapidly changing marketplace. You know, for years we've been hearing those words—"rapidly changing marketplace"'—and they held a lot of truth in those days. That truth is *nothing* compared to the changes taking place at an accelerated pace between our monthly deadlines.

Lately it's been a game at the *Automotive Marketing* editorial offices to see how "current" the news we print about mergers, consolidations, and repositionings can be while we still make our time slot on the printing presses.

With this annual *Guide*, too, we've played a waiting game, holding off at long as possible to make the changes in the directory listings as current as they can be. Even so, there are current rumors of corporate changes which may become truth before the postmen deliver this volume.

We have, though, made every effort to be as timely as possible.

Some things are almost timeless, and change at an evolutionary, not a revolutionary, pace. Take, for instance, that utterly complex, two-page chart on aftermarket distribution. Way back when, that chart could have been one column with two boxes, manufacturers selling to accessory shops. The accessory shops were adding items for the new-fangled horseless carriage to their lines of bicycle supplies and accessories and their line of buggy whips. Those were the first sales to the first customers of the first items in the automotive products line.

The current chart is complicated, to say the least, and we find it limiting to be able to use only two dimensions as we illustrate the automotive aftermarket product flow.

You'll get some sense of history, and some perspective on the future, when you read the chapter on how the market is changing and proceed through the chapters on today's consumer and his/her buying patterns and preferences, and the chapters on commodity products and other merchandise sold through this distribution channel.

Advertising has altered the parts distribution greatly since its original newspaper ad appearance, and our chapter on retailer advertising takes a look at the customary practices from the retailer's planning side. More startling is the look at how the advertising support from the manufacturer has changed. It's gone from a (not so) simple practice of reimbursement on a percentage basis for funds spent on actual advertising of specific products to an industry practice of merchandising allowances.

Store operations are a critical partner with product management in the retail bottom line, so we've included chapters on store design, specific in-store merchandising, and computerization.

With complex technology on vehicles and an aging population, some retailers are guaranteeing their continuing parts sales and profits by offering parts and accessories installation. You'll learn the some of the whys and specific hows in our section on service bay management.

Because this *Retail Aftermarket Guide* is intended to stay within your easy reach until the next edition appears on your desk, we include directories for year-round reference. As noted above, they're as current as we can make them.

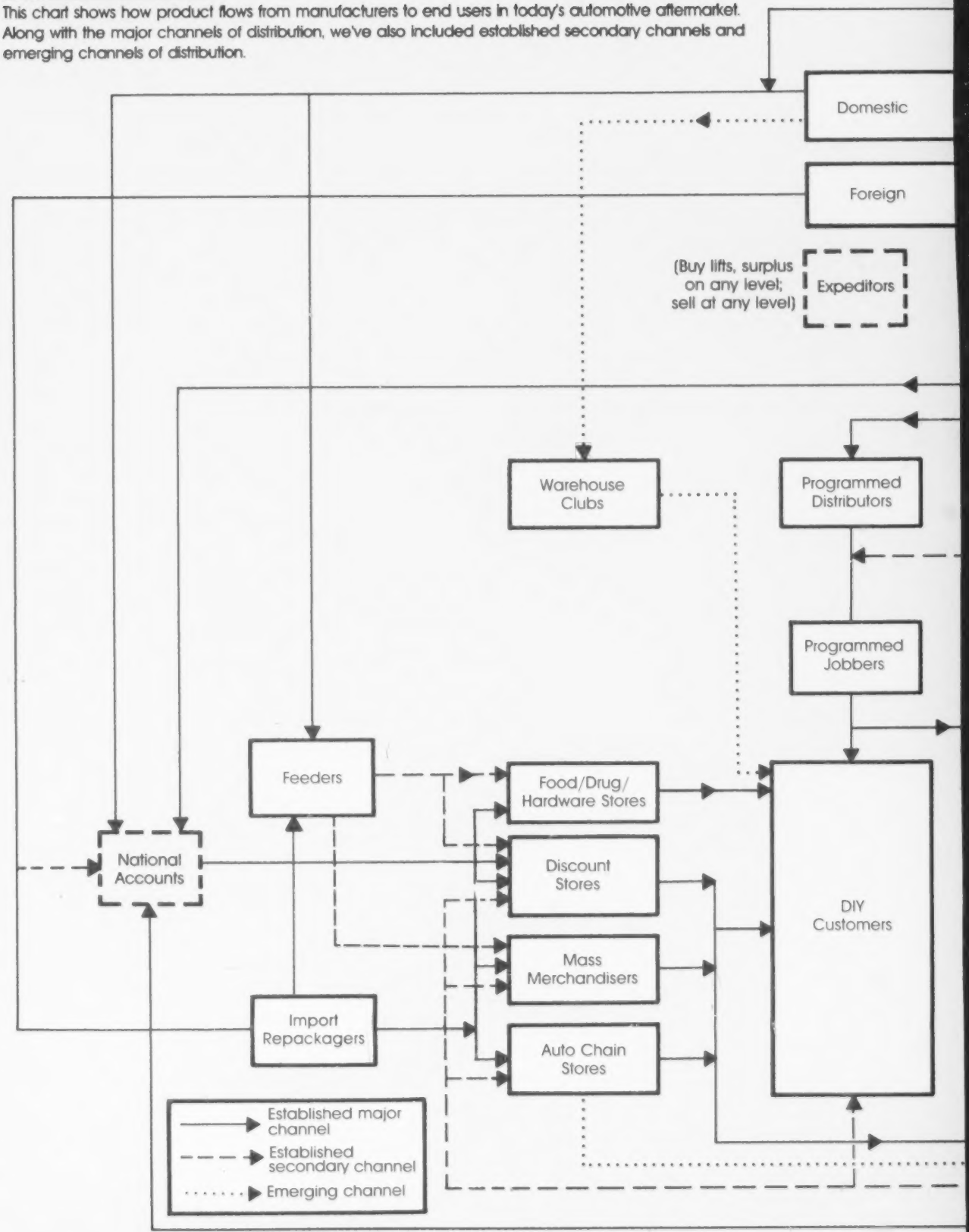
The *Automotive Marketing* editorial staff of Managing Editor Gail Krueger-Nicholson, Senior News and Feature Editor John Wirebach, Research Editor Philip Katcher and our Contributing Editors Edward L. Kaufman, David A. Evans are the source of the retailing wisdom in this volume as are the consulting professionals of Touche Ross and Stuart Landow. Editorial Assistant Bonnie Shannon deserves a reward for her good work in keeping current with the industry changes which altered the directories, every day, day in and day out. Our Editorial Intern, Nellann Phelan, found the four color catalog section at the back of this volume a learn-by-doing experience. Art Director Janet Taylor packaged it most efficiently and compactly *and* attractively. The *Automotive Marketing* sales staff provided financing for this publication.

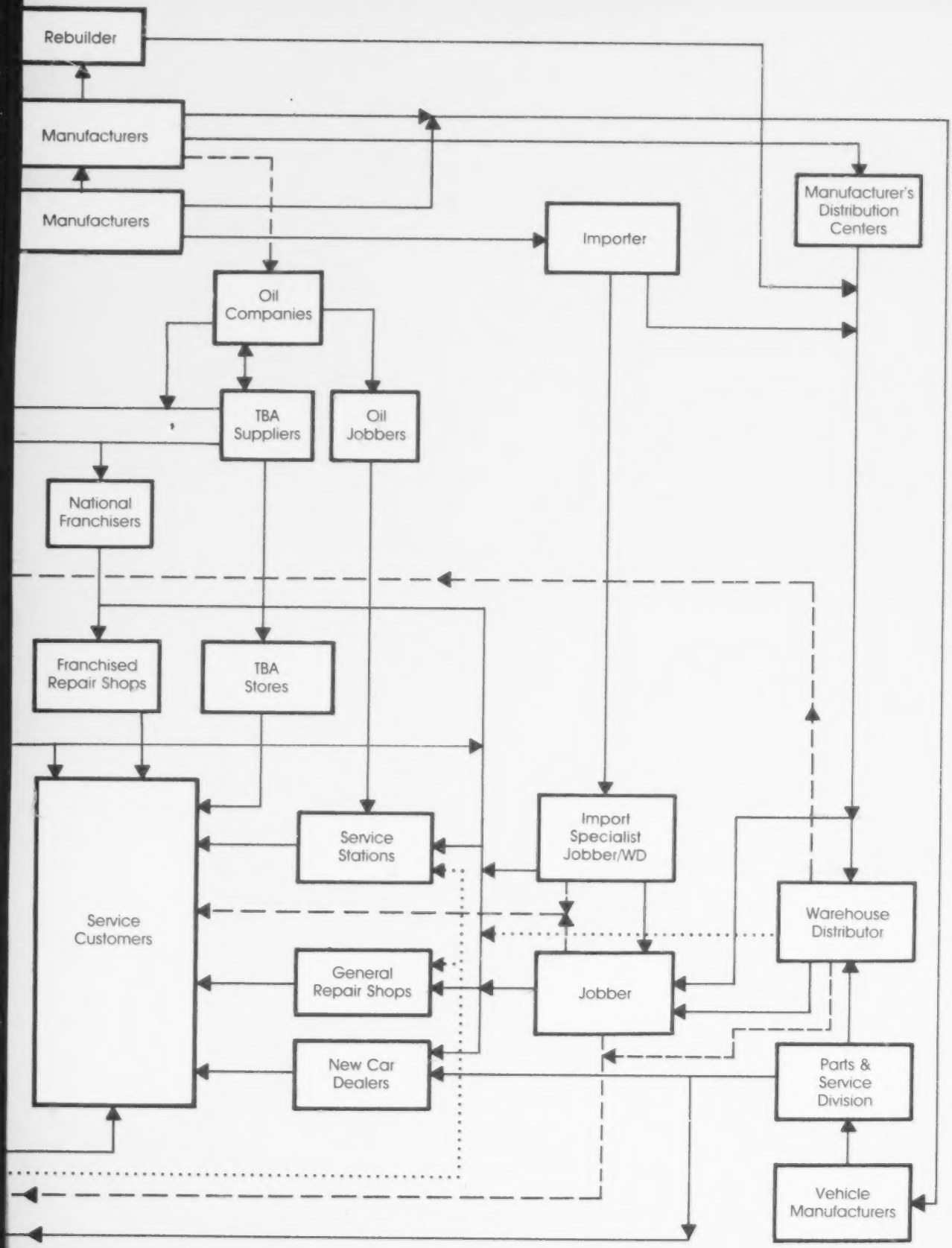
We hope you find it useful. And, as usual, we'd like your reaction. Please take a minute to use the reader service cards and tell us what you like best, (and least if anything), about the volume. ■

Rosemarie Kitchin,
Editor

AFTERMARKET DISTRIBUTION

This chart shows how product flows from manufacturers to end users in today's automotive aftermarket. Along with the major channels of distribution, we've also included established secondary channels and emerging channels of distribution.

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Importer
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TBA Suppliers
Oil Jobbers
National Franchisers
Franchised Repair Shops
TBA Stores
Service Customers
Service Stations
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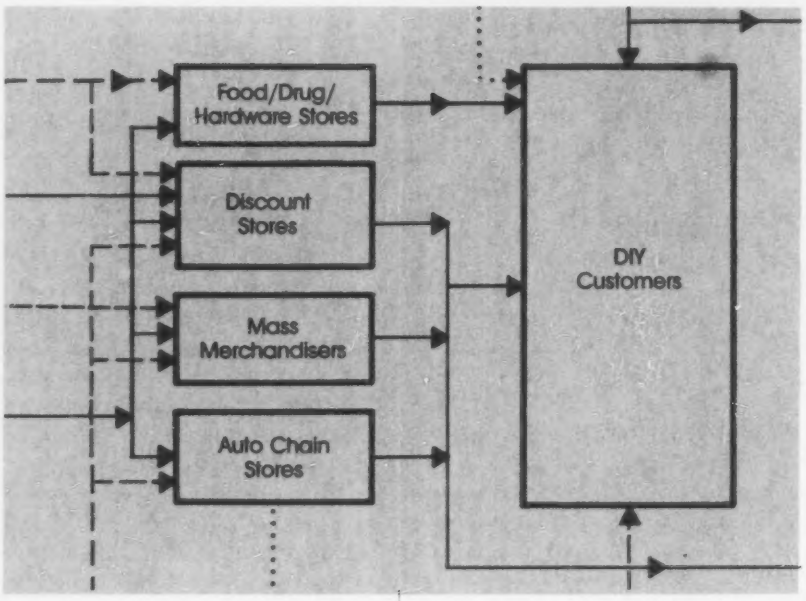
Warehouse Distributor
General Repair Shops
Jobber
New Car Dealers
Parts & Service Division
Vehicle Manufacturers

THE MARKET CHANGES



Today's aftermarket breaks down, very roughly, into one-third do-it-yourself (DIY) and two-thirds service segments. The main competitors for the 30-35 billion DIY dollars are retail parts chains, mass merchandisers, and jobber/retailers. Competing for the 60-70 billion service dollars are the traditional service outlets, such as gas stations, garages and car dealers, as well as newer service providers such as tire stores, chain store service centers, and the service specialists.

Both segments experienced dramatic changes in the 1970s and 1980s, and here's a quick overview of the changes and what we might expect in years to come.

The DIY Market

On the DIY side of the market, two key changes were the increase in retail sales by jobber stores through programmed distribution (hence the new term: jobber/retailer), and a growing number of consolidations mainly through conglomerate ownership.

Programmed distribution simply means that a jobber does more than buy goods from a warehouse distributor (WD) who's affiliated with one of the programs. He also buys a whole marketing program and contributes a fee, or a percentage of sales, to support the group's advertising and merchandising work. A programmed WD takes the product all the way through the channel, from acquisition to merchandising. However, the original key to programmed distribution was group buying power; today some groups remain only a buying group and do not provide marketing services and other types of support.

Programmed distribution became a buzz-word in the 1970s, but the two largest groups, NAPA (Atlanta) and APS/Big A (Houston), date from 1925 and 1952 respectively. About 500 WDs and perhaps 17,000 jobbers (approximately two-thirds of the jobber population) are currently affiliated with some kind of programmed distribution group.

Group buying enables the WD to pass along better prices to his jobbers, particularly in the more popular commodity items. With more competitive pricing in the popular items, and help with merchandising, the jobber can exploit his advantage in depth of parts and service to the customer over retail chains.

In addition to better pricing, a group can offer the small jobber better advertising and marketing programs. NAPA, for example, spent over $8 million in 1986 on consumer TV advertising, and other programmed groups such as Carquest, Tarrytown, NY, and Bumper to Bumper, Nashville, TN, were also among the leading retail automotive television advertisers. Then too, many new stores opened by the major program participants look more like retail stores geared to the DIY shopper than they look like traditional jobber outlets. These stores have lots of glass, bright lights, big signs and displays, long aisles, endcaps, and clean-cut personnel on the sales floor. In fact, at many new locations, a DIYer would be hard-pressed to tell the difference between a retailer and a programmed jobber. Not only did this help DIY sales, but, as one group's marketing director noted, professional customers are also impulse buyers and wholesale sales increased in their new stores.

By and large, the programmed groups feel they're over the hump on retailing. By copying merchandising and advertising techniques from the volume retailers, and through group purchasing power, they feel they've reached a satisfactory limit of about 30% DIY sales. Overall, in 1971, according to Motor Equipment Manufacturers Association (MEMA) research, the average jobber did 9% of his total business with DIY customers; by 1986, this had risen to 36%.

The Merging Market

The second change has been a

merging market due to acquisitions and mergers. We use the phrase the merging market because, it seems to us, the automotive aftermarket is merging in two crucial ways. Not only are traditional jobber stores starting to resemble retail stores, and WDs going to market like retailers, but perhaps more importantly, the market is consolidating. While the number of stores continues to increase, the number of store owners is actually declining. This is happening on both the traditional and retail sides of the market.

Consolidation, acquisition, and merger are the key topics in every aftermarket office, whether it be a WD or a retail chain, today. Practically every chain or WD seems to be for sale. And, at least for the past five to ten years, many of the buyers have been previously non-automotive conglomerates.

The reasons why conglomerates added auto chain stores to their portfolios were part of standard business decisions. The conglomerates saw a fragmented market with no national chains and lots of single store operations. In addition, the conglomerates felt the aftermarket was behind the times managerially. But, perhaps most importantly, they were attracted by the high margins in automotive parts and accessory sales compared to other forms of retailing.

Probably the best example of a conglomerate operations is Northern Pacific, a New York holding company, which first bought the Schuck's chain in Washington (about 90 stores) and then purchased over 300 Checker and Kragen Auto stores from Lucky Stores, another conglomerate retailer. In January, 1988 it added about 250 Auto Works stores, previously owned by Perry Drugs, Pontiac, MI, to form the largest owned chain in the country (Western Auto, Kansas City, MO, owned by Wesray, New York, is larger but all but about 250 stores are franchises).

Conglomerate ownership also entered the traditional market in recent years. Two of the three largest programmed distributors are conglomerate-owned. APS (American Parts System) is owned by Wickes in New York; and Bumper to Bumper is 80% owned by Alghanim International (AI), based in Kuwait. Only the NAPA program, sponsored by Genuine Parts, Atlanta, remains independent, although Genuine Parts also owns several non-automotive businesses.

The Age Of Megachains

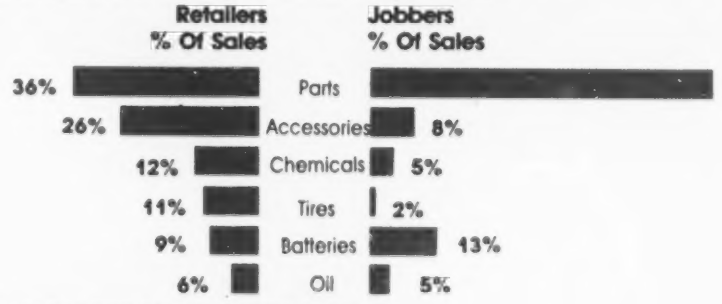
The influx of the conglomerates created the age of the megachain. By our count, there are nine auto chains or programmed distributors operating more than 200 stores. One, the Phoenix, AZ, Checker/Schuck's/Kragen (and now /Auto Works) combine operates more than 750 stores. Chief Auto, and the Genuine Parts-owned NAPA stores, are very close to 500 stores or will be by the end of 1988. AutoZone (owned by Malone and Hyde) operates over 400 and plans 80 new stores in 1988. Pep Boys, Nationwise, Western Auto-owned stores, and Trak Auto all total more than 200 each.

A good example of both the success and failure of the conglomerates is Perry Drugs created an automotive parts megachain virtually from scratch, then sold it. Perry sold some automotive product in its drug stores as early as 1976. Automotive sales attracted Perry originally because of the high margins and as a way to get men in the drug stores as customers. However, as late as 1982, Perry automotive sales were only $28.4 million.

In 1983, however, Perry went into automotive sales in a big way by buying a smaller chain, the 50-store Fleenor's chain in Indianapolis, IN. The next year it added Corvairs' 47-store Ohio chain, and 25 stores in Saint Louis previously owned by Lambert/Singer and Pappy's. Major acquisitions continued at Perry:

RETAILERS AND JOBBERS: WHAT'S THE DIFFERENCE?

Although some newer jobber/retailers stores look like auto chain stores, there are still distinct differences between the two types of stores. The single most important difference is in what they sell. Roughly two-thirds of jobber sales come from parts sales, while sales of accessories, chemicals, and oil amount to almost half of auto chain sales.



- Jobbers have been in operation longer.
- Some 40% of jobbers are counter service only.
- Chain stores are open longer hours, more days.
- Chain stores average twice as many sales as jobbers.
- Jobber stores advertise much less.

Source: Frost & Sullivan, APAA FAIR Study

In 1986, Perry added the 17-store Trio Auto Stores in northern Michigan to the chain, plus several smaller independents.

However, Perry had difficulties integrating four different marketing philosophies. Between 1983 and 1988, Perry Auto Works had four different management teams. In addition, distribution and computerization of some 250 stores presented problems despite the opening of a state-of-the-art warehouse in 1986. Although the Auto Works stores were still said to be profitable ($133 million in sales), Perry Drugs reported its first loss ever in 1987, losing $7.9 million on sales of $726 million (drug and auto stores combined). Shortly after reporting the loss, Perry sold the Auto Works stores to the Checker/Schuck's/Kragen combine.

Perry is not alone; other conglomerates have also had problems integrating automotive sales into a corporate operation. Stores such as Pay N' Save (which owned Schuck's briefly), Rite Aid Drugs, Southland Corp. (which ran Chief Auto along with its 7-Eleven convenience stores until January, 1988), and the Lucky Stores (which organized its Automotive Division in 1982 before selling its Checker and Kragen stores to Schuck's), have all experienced serious managerial problems before bringing in automotive personnel to run the operation.

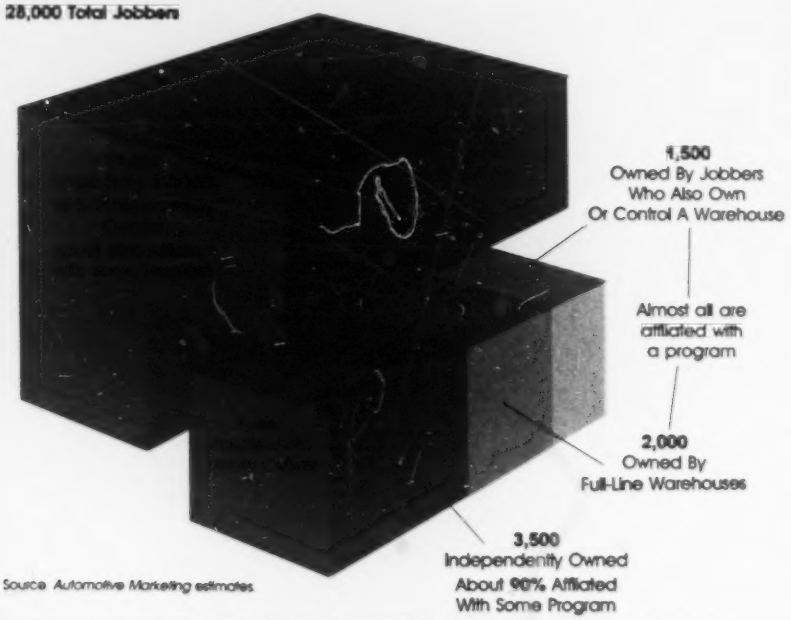
Surprisingly, none of the conglomerate retailers has had the success of the Pep Boys chain, based in Philadelphia. Although only one of 14 chains operating more than 100 stores, Pep Boys is far and away the leader in sales per store and earnings. The management team of CEO Benjamin Strauss and president Mitch Leibowitz took over a well-managed, debt-free company and actually closed 32 stores between 1979 and 1984, weeding out nonproductive stores while other firms rushed to open new stores. At the same time, they began opening new supermarket-type stores of 15,000 sq. ft. and more (including a 42,000 sq. ft. store in Los Angeles) that put smaller competing stores to shame. To finance the opening of 60 stores in two years, they went public.

In the past five years, the chain has moved into new markets such as Dallas and Atlanta while solidifying its hold on its older bi-coastal markets based in Los Angeles and Philadelphia. Recently, Pep Boys moved all its buying to Philadelphia (previously, the Los Angeles stores operated as Pep Boys West for buying purposes). Plans call for 70 new stores in the next two years. Strauss and Leibowitz make no secret of their ambition to be the first national chain. The firm's 1985 sales were $389 million and in 1986 rose to $489 million. In 1987, sales were expected to top half a billion.

Still, just as 1988 began, there were two sales that indicate that consolidations will continue. First, PACCAR Inc, Bellevue, WA, added the 108 Grand Auto Stores, based in Oakland, CA, to its previous acquisition of 19 Al's Auto Stores (Bellevue, WA) and made itself a new player in the West Coast Market. And, Nationwise, Columbus, OH, bought the 77 Guarantee stores in Indianapolis, IN, to push its total store count well over 200.

A LOOK AT THE JOBBERS

Here's how today's jobbers shape up.



Source: Automotive Marketing estimates

The Impact Of Consolidation

The combined impact of so much consolidation has changed the retailing picture in terms of suppliers and competition.

For the supplier, the number of potential customers continues to decline. Thus, a supplier is often forced to deal with a megachain, or at least a major chain that controls a large portion of the market. As one Southern chain store owner noted, "If a supplier wants to sell this area, he can deal with me, or he can deal with (his chief competitor). If he

doesn't deal with us, he can drop-ship to 50 or 60 little jobbers." And so, the buying power of the megachains has created an era of distributor-driven retailing. Suppliers are often forced to concede large merchandising allowances.

Competition among megachains is also keen, especially on popular items. The winner is the consumer who can always get a good price; the loser is the small retailer who cannot buy in volume or buy full pages in metropolitan papers to advertise. Faced by conglomerates on one side and hard-working chains like Pep Boys on the other, the little guy is caught in the middle. And, as one retailer who's on the verge of selling out said, "There's lots of fall-out coming. The people who don't get consolidated are going to get trampled to death by the elephants. The worse place to be is in the middle. You're too big to operate with the comfort level of a small business, and you're too small to compete at the financial level of the giants.

"The guy with two or three stores is probably in the best position. He's got a lot of control. And there'll always be a place in specialty retailing for the single unit independent who does a good job of merchandising for a well-defined market. He'll always be there. The guy with 25 stores can operate small, but he doesn't have the staying power. He has to be very, very good. Most guys at that size are leveraged up the wazoo. They're trying to get controls and operations in place, and they're competing against guys who passed that point ten years ago.

"What you do in this situation really depends on your goals. If you want to be king of the mountain, you know what you have to do, you have to hang it out there and go. That's what all the entrepreneurial talk is all about. There comes a point when you get too big to back off. Then you have to either expand or sell out. If you don't want to sell out, you at least have to find some equity financing or a rich aunt."

Principally because of the few big players, the small, independent WD is also in trouble. Speaking at a Frost & Sullivan Conference, consultant Jack Creamer of Distribution Marketing Services, Darien, CT, noted that there were some 2,000 WDs in the mid-1960s; today, there're about 900. "The small WD in a metropolitan area is in trouble. He can't meet the margins and still grow, yet he has to cut prices to sell. AWDA has more major credit problems with its WDs today than ever. The volume retailers have created real problems. If you don't believe me, read Thursday's *LA Times* advertising and look at Pep Boy's 42,000 sq. ft. store. You have to ask yourself: what kind of WD are you? What kind of market are you in? And, what's the competitive situation? If you're in a metro market with two or three majors there, it's crowded. The number four and five players in the market are in trouble."

Despite the fact that wholesale sales (to professional installers) still make up the largest share of jobber sales, the loss of retail sales can be the difference in success or failure for jobbers, particularly in metropolitan areas. A study done by AI before it entered the market shows why. AI's planning charts showed that popular parts (20% of total part numbers) made up 70% of automotive parts sales. However, over 40% of the popular parts sales went to DIYers, according to AI. So not to pursue the DIY market aggressively means conceding over 40% of the available business.

WD-Owned Stores

Although programmed distribu-

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tion has made its jobbers more competitive in going for the retail dollar, it has a weakness: control of the program. As we noted above, about 17,000 jobbers are involved in programs to some degree. To what degree is the key. Most WDs want 60-70% of a jobber's purchases. But measured by that yardstick, the number of jobbers in programs would drop dramatically. And too, every single promotional program has to be sold to each and every jobber.

However, WDs are sharply divided on how vital the need for control is. For example, Fred Pischiotta, APS president, which has the Big A store program, says that lack of control is only a cop-out. "Control is not the answer. It's a frustration. The answer is in the quality of concept: having the right ingredients in the program and marketing it well. Having all the supports in place. You still need that entrepreneurial aggressiveness from independent jobbers. Our trade advertising tells it the way it is. Risk and reward. We complement the independent jobber, not control him."

WDs may be divided on the issue, but a growing trend in the aftermarket is toward WD-owned stores. This is especially true in metropolitan areas where chain stores flourish and jobbers are weakest.

The warehouse-owned jobber store is certainly not new. Traditional WDs such as Alexander-Seewald in Atlanta have owned stores since the 1890s. In fact, most of the original founders of the Automotive Warehouse Distributors Association (AWDA) began as jobbers, and many again own stores today.

In recent years, the number of warehouses owning stores has increased dramatically. Today, there are roughly 3,500 WD-owned jobbing stores. One study found that 43% of WDs own stores. Although some of the WDs may actually be captive or "paper" warehouses (owned by jobbers), an 1987 *Automotive Marketing* count of AWDA members turned up 2,017 stores owned by AWDA member warehouses.

The AWDA warehouse store chains range in size from Genuine Parts, Atlanta, which owns nearly 500 of its NAPA stores, to Quality Automotive Warehouse in Baltimore which owns one store.

Although Genuine Parts and four smaller NAPA member warehouses primarily service about 6,000 independently owned NAPA outlets, company stores play an integral part in Genuine Parts strategy and have done so since the 1920s. Genu-

REASONS FOR ACQUISITIONS

A recent study of retailing acquisitions by Management Horizons, Columbus, OH, shows that 10.8% of all auto supply store businesses changed hands between 1980 and 1985. A total of 6.6% of all retail store changed hands in the same period. Acquisitions can contribute to marketing objectives in eight ways as illustrated by this matrix.

	GEOGRAPHIC MARKETS	PRODUCT OFFERINGS	CUSTOMER SEGMENT	FORMAT
INTENSIFICATION/ EXTENSION	Bolstering or maintaining an existing market. Example: Buying a competitor	Buying a similar operation for larger market share Example: A full-line WD buys a full-line WD	The motivation is deriving more business from the same target customer. Example: A WD with stores buys a retailer.	This typically is a secondary strategy where a region or product offering strategies are most important. Example: A WD with a program buys a WD to use as a distribution center.
DIVERSIFICATION	Buying into a new market. The single largest form of acquisition. Example: A Seattle chain buys a Los Angles chain.	Moving into a new product category Example: A full-line WD buys a performance WD.	Acquisition designed to target a new customer base. This strategy will become more common. Example: A full-line WD buys a jobber/retailer.	Occurs when a retailer already engaged in a product offering purchases a retailer selling the same product in a different form. Example: A chain store buys a jobber/retailer.

Source: Management Horizons, examples are *Automotive Marketing's*

ine Parts opened 49 company-owned stores last year and expects to continue the trend. According to president Bill Hatcher, the 450 company stores accounted for roughly 25% of Genuine's $1.8 *billion* automotive sales in 1987.

Genuine Parts has no preference for company-owned stores over independent jobbers. "Our philosophy is to be a good supplier to NAPA jobbers," Hatcher said. "I'm not in a position to speak about an industry trend, but we're opening more metro stores. We look where there's no NAPA business, where we have no distribution; mainly in metropolitan areas. Where NAPA already has good stores, we leave them alone. It's a matter of investment – real estate, inventory. For the individual jobber, it's impossible to go in because of three-four-five hundred thousand dollars in start-up costs."

Virtually every WD expects the trend toward store ownership to continue among WDs. Selling to independents may be the "cleanest way to operate," as one WD put it, but WDs are in a buying mood. The reasons for this are three-fold: First, the failure rate among independent jobbers; secondly, the retail chains continue to expand part offerings and now offer many parts that previously only jobbers sold; and finally, jobbers are buying less from WDs. The 1987 MEMA jobber study shows that full-line WDs account for only 61% of the average jobber's dollar volume purchases, a 6% drop since 1983. This is, perhaps, the key.

Shutting Out Suppliers

As noted above, the increase in mergers and acquisitions, and the growth of programmed distribution, shut out some suppliers from some geographic markets. As a result, suppliers made it easier for large jobbers to buy direct. The MEMA study found jobbers buy 28% of their dollar volume direct. Jobbers are also buying more from discount WDs that offer few or no services but sell fast-moving lines cheaper. Dirk Hoyt of Hi-Lo Consolidated, Houston, (a 73-store AWDA member) suggests, "If WDs don't buy their customers, eventually they're not going to have many people to sell to." Hoyt says this has already occurred in Houston where times are tough.

"There're virtually no nonaligned stores left. There's a real shakeout. Several warehouses have gone out of business, and several have such bad business they're selling direct to DIYers at jobber price," Hoyt said.

A good example of the first-time store-owning WD is Charles Scheer, chairman of Prime Automotive Warehouse in Middle Village, NY,

THE 10 LARGEST WAREHOUSE – OWNED STORE OPERATIONS

Although there are several jobber chains larger than some on our list, most of these are jobbers with a captive warehouse. Our list is limited to full-line warehouses that meet the Automotive Warehouse Distributors Association (AWDA) criteria for membership.

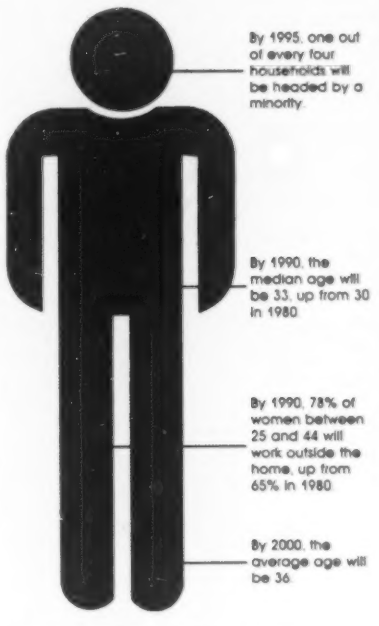
Stores	Warehouse/Store Name	Location	Mostly Retail Or Wholesale
500 (est.)	Genuine Parts Co./NAPA	Atlanta	W
200 (est.)	A.I. Automotive/Bumper To Bumper	New York	W
147	Steego Parts Corp./Steego	W. Palm Beach, FL	R
130*	General Parts/Carquest	Raleigh, NC	W
100 (est.)	Fisher APW/Fisher Auto Parts	Staunton, VA	W
97	APS Inc./Big A	Houston, TX	W
90	Straus-Frank Co./Carquest	San Antonio, TX	W
87	Ozark Automotive Dist./ Ozark/O'Reilly	Springfield, MO	R
72	Hi-Lo Consolidated/Hi-Lo	Houston, TX	R
51	Motive Parts Whse./ Green Light Auto	Fort Smith, AK	W

* Note: General Parts participates in the ownership of 110 stores to some extent in partnership with owner/ investors.

Source: *Automotive Marketing*'s estimates from various sources.

THE CONSUMER OF THE 1990s

The consumer is changing, and those changes will change the aftermarket. Ethnic groups and older people are the fastest growing groups in the country. By 1995, one out of every four households will be headed by a minority. By 1990, the median age will be 33, up from 30 in 1980. Also in 1990, 78% of the women between 25 and 44 will be working women, up from 65% in 1980. By 2000, the average age will reach 36. The lack of time is becoming one of the most important factors affecting businesses.


By 1995, one out of every four households will be headed by a minority.
By 1990, the median age will be 33, up from 30 in 1980.
By 1990, 78% of women between 25 and 44 will work outside the home, up from 65% in 1980.
By 2000, the average age will be 36.

Source: The sales planning division of Procter & Gamble.

who recently acquired a smaller WD with nine stores. "I don't know if it's a trend or not," Scheer said, "but I know this: The independent warehouses that are on concrete and are progressing are ones that own eight to 80 stores. The big get bigger and the small are going to die. My gut feeling is that the only way to go is controlled distribution. You can give independents 7% to 9% discounts, then all of a sudden somebody gives the jobber 10% and you've lost a customer. So now I'm a retailer," Scheer said.

The need to compete for the retail dollar has also led independent traditional warehouses to set up separate retail operations. As a result, some of the largest and most successful WD store operations are wholly retail such as Hi-Lo and Parts City (31 stores owned by Alexander-Seewald, Atlanta), or primarily retail such as the 82-store O'Reilly/Ozark chain, Springfield, MO; the 87-store Carquest chain owned by Straus-Frank, San Antonio, TX; and the 33-store Taylor Parts chain owned by TPS, Andalusia, AL. It should be noted however, that with the exception of Hi-Lo, all them still maintain a very viable wholesale operation selling to independent jobbers.

JOBBER BUSINESS

Although the percentage of jobber business represented by retail volume has grown at a slower rate in recent years, retailing has still increased four-fold since 1971.

1986	36%
1982	32%
1979	29%
1975	16%
1971	9%

These are the segments that represent the largest portions of jobber sales:

Retail Sales	36%
Independent Repair Shops	18%
Service Stations	15%
Dealerships	9%

Where jobbers buy product by 1986 percentage of dollar volume:

WDs	61%
Direct Buying	28%
Specialty WDs	9%
Other Jobbers	2%

Source: MEMA

Will DIY Sales Decline?

Despite the growth and importance of retail sales to both retailers and WDs, the future of DIY is in doubt in many aftermarket minds. This is the most important question for the retail aftermarket in the next five to ten years. Aftermarket veteran Bud Rose of Champion Auto (Minneapolis), for example, says the DIY market is only pausing to assimilate changes in technology. But you can get many people arguing the other side. For example, all the major programmed group executives expect DIY sales to at least plateau, if not actually decline, and they are making extensive plans to better serve the service side of the market.

A good summation of this opinion goes like this: "The nature of the mass retail market is changing, and will continue to change. The increasing complexity of automotive systems and components will make many DIY procedures beyond the capability of the weekend mechanic. Further, the sophisticated diagnostic equipment and specialty tools required to work on future cars will be beyond the means of the DIYer. And, any expansion of factory warranty provisions will directly erode the DIY market. The mass retail/DIY market is here to stay. But it will be a different and more limited sector of the aftermarket in years to come."

The only trouble with this excellent summation of the situation is that it was written in 1977. Coming before ten years of unprecedented growth in DIY sales by both retail and traditional jobber stores, such a prediction leaves a bit to be desired.

We're not poking fun at inept predictions, the idea is to see the dif-

PROGRAMMED DISTRIBUTORS

The top ten programmed distribution groups are:

- All-Pro Auto Parts, Andalusia, AL
- APA, Mission, KS
- Auto Value, Chattanooga, TN
- Big A, Houston
- Bumper-To-Bumper, New York
- Carquest, Tarrytown, NY
- Federated Auto Parts, Staunton, VA
- NAPA, Atlanta
- National Pronto, Springfield, IL
- Parts Plus, Memphis, TN

AFTERMARKET RETAILERS

The top 25 aftermarket retail chains are:

- ADAP, Avon, MA
- Advance Stores Co., Roanoke, VA
- Aid Auto, Inwood, NY
- AutoZone (formerly Auto Shack), Memphis
- Auto Works, Pontiac, MI
- Champion Auto Stores, New Hope, MN
- Checker/Schuck's/Kragen, Phoenix
- Chief Auto Parts, Dallas
- Crown Auto, Eden Prairie, MN
- Discount Auto Parts Inc., Lakeland, FL
- Grand Auto, Oakland, CA
- Guarantee Auto, Indianapolis, IN
- Hi-Gear Tire & Auto Supply, Capitol Heights, MD
- Hi-Lo Consolidated, Houston
- Nationwise Inc., Columbus, OH
- O'Reilly Automotive (Ozark) Springfield, MO
- Otasco, Tulsa, OK
- Pettigrew-Smith Auto Supply, Houston
- R & S Strauss, Union, NJ
- Steego Auto Parts, West Palm Beach, FL
- Super Shops, San Bernadino, CA
- The Pep Boys, Philadelphia
- Trak Auto, Landover, MD
- Western Auto, Kansas City, MO
- Whitlock Corp., Des Plaines, IL

THE MARKET CHANGES

ficulty of prediction. Nothing is so uncertain in the future of the automotive aftermarket as the patterns of distribution. Any efforts at long range (by that, we mean past next year) prognostication of either players or strategies run the risk of sounding very foolish ten years after. For example, imagine the reaction of an aftermarket veteran in 1968 if you had told him that in 1988 parts for import cars would make up 25% of the aftermarket, the Pep Boys retail chain would be a half-billion dollar operation, and that E.J. Korvette, then the nation's largest discounter, would be out of business.

Furthermore, imagine his reaction if you suggested that WDs would own more than 10% of all jobber stores, that 100,000 service stations would go out of business, and that DIY sales would become almost a third of jobber business?

The veteran would say you're crazy; yet all that happened in the 1970s and 1980s.

Coming Attractions

Although it's hard to be specific, here are some key factors we see affecting the aftermarket in the next five to ten years:

- **Consolidations**
- **Integrations**
- **Lifestyles**
- **Parts proliferation**
- **Specialization**
- **Technology**

However, all these factors will mix and mingle to various degrees in each of the major channels of distribution so that some will be more important for WDs, while some will chiefly affect repair specialists.

Just as he (and she) was in the 1970s, the DIYer will remain the key component of change in the 1990s. For years, many people have said that DIY work will decline. Yet DIY sales remain high. DIYers seem determined to work on their own vehicles no matter what the technological challenges.

So it seem to us that retail sales will probably change the least in the 1990s. But the DIYers who shop those stores in the 1990s will be a little older (by the year 2000 one out of three drivers in the U.S. will be over 55) and a bit more well-heeled than the DIYers of today. The DIYers of

the 1990s will also be more "technology sensitized," too, due to the growth of computer education and computer familiarity. But they may not be willing to carry those computer skills over to the world of under-the-hood work, at least not right away.

In fact, the biggest change in DIYers in the 1990s will not be so much in who they are but in the kinds of jobs they do. Those changes will force retailers to re-evaluate the products they sell and how they sell them. A 1986 Delphi forecast released by Dr. David E. Cole, director, Office for the Study of Automotive Transportation, University of Michigan, Ann Arbor, MI, predicts an increase in importance for routine replacement items and fluids in the DIY segment, and for more DIY work with tires, wheels, brakes, and shocks. However, DIY work on traditional ignition systems, non-modular electronics, fuel injection systems, and all engine components will decline.

The Delphi study also gives electronics systems such as computer control modules positive predictions for future DIY activity, and at least one automaker agrees. General Motors sees more hand-held diagnostics systems being used by DIYers (and sold by retailers), prompted in part by a wide distribution of software programs for vehicle repairs. DIYers will also get more help from on-board diagnostic systems. One aftermarket chain already stocks and sells replacement computer chips as a performance product. In the future, retailers will carry more computer goods such as replacement chips while computer software stores will carry aftermarket how-to diagnostic programs.

Retail Competition

New competition for retailers in the 1990s will come through specialization. For instance, in Corona, CA, Captain Zooms, a chain of stores aimed at the light truck aftermarket, opened in 1987. The light truck market is expanding, and operations like this may prove to be serious competition for retailers. In the performance field, operations like California-based Super Shops already have 100 stores. Performance WDs like the trio of G & M,

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Capital Heights, MD, Arrow Speed Warehouse, Kansas City, MO, and Competition Specialties, Auburn, WA, put together the Performance Corner, a short-line performance program for 800 jobbers and retail stores. And, as import parts become more important, the import specialist jobber will continue to take a share of the DIY market. Finally, a number of dealership retail parts for DIYers programs, chiefly at Ford, Toyota, Nissan, and Hyundai, have sprung up in recent years. All of these competitors will have an impact on the retail market for parts, accessories, and chemicals.

There is also the possibility of stronger automotive programs in discount/department stores. Full-line discount and department stores have one clear advantage in attracting customers: they offer a customer the chance to buy everything he needs in one place at one time. This is, and will be, an especially important retailing advantage in the future, as more and more consumers lifestyles leave less and less shopping time available. However, mass merchandisers have had limited success in finding their role in the aftermarket. Their total amount of sales in the automotive field is large, but not as large as for other products they sell. On the average, some 6% of discount stores sales, nationwide, are made in their automotive departments. By way of comparison, that's about half their percentage of sales from women's wear.

But, the chief competition to the retail chains for DIY sales will probably still come from the programmed distributors and the traditional WD that owns stores.

Retail Service In The 1990s

And, just in case DIYers cease to DIY, retailers are also looking harder at the service market. Operations like Pep Boys already get as much as 40% of their sales through service, and chains like Chief and AutoZone are testing service programs.

The reason is simple. Changes in lifestyle favor service operations. Not only is the typical American older, but he wants convenience. High income "DINK" (dual-income, no kids) couples are a key target for service marketers. And, as more females own and maintain their own vehicles, the automotive field is more cognizant of the female customer.

Changing lifestyles favor the repair specialist who applies retail merchandising techniques to service work. Time-pressured consumers will take ten minutes for an economical oil change at a quick lube rather than drop off the vehicle for the day at a service station. Female customers are attracted by the clean shops

SERVICE SPECIALISTS

The top 15 service specialists are:

- AAMCO, Bala Cynwd, PA
- Grease Monkey, Denver, CO
- Jiffy Lube, Baltimore
- MAACO, King of Prussia, PA
- Meineke Discount Muffler, Charlotte, NC
- Midas, Chicago
- Mr. Transmission, Nashville, TN
- Novus, Minneapolis
- Precision Tune Inc., Sterling, VA
- Quaker State Minit Lube, St. Lake City
- Speedy Muffler King, Morristown, NJ
- Sunshine Polishing Systems, San Diego, CA
- Tuff-Kote Dinol, Highland Park, MI
- Tuneup Masters, Buena Park, CA
- Ziebart Corp., Troy, MI

DISCOUNT/DEPARTMENT CHAINS

The top ten discount/department chains are:

- Ames Department Stores, Rocky Hill, CT
- Associated Dry Goods, Norwalk, CT
- Dayton-Hudson, Minneapolis
- Hills Department Stores (SCOA Ind.), Canton, MA
- K mart, Troy, MI
- Montgomery Ward, Chicago
- Sears Roebuck, Chicago
- Stop & Shop, Braintree, MA
- Wal-Mart, Bentonville, AR
- Zayre Corp., Framingham, MA

WAREHOUSE DISTRIBUTORS

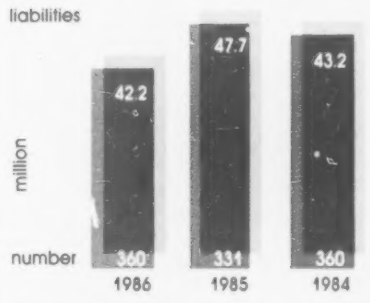
The top ten warehouse distributors are:

- A.I. Automotive, New York
- APS Inc., Houston
- Atlantic & Pacific Automotive, Memphis, TN
- Cardis Corp., Buena Park, CA
- Genuine Parts, Atlanta
- Motive Parts Whse., Fort Smith, AK
- Parts Inc., Memphis, TN
- Republic Automotive Parts, Brentwood, TN
- Steego, West Palm Beach, FL
- Straus Frank Co., San Antonio, TX

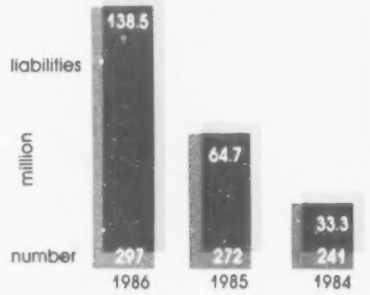
FAILURE RATES

The number of automotive wholesalers failing reached an all-time high in 1986 as 297 firms went out of business owing $138.5 million.

Automotive retailer failure rate:



Automotive wholesaler failure rate:



Source: Dun & Bradstreet

with pleasant waiting rooms.

The "New" Service Market

Just as the auto parts chain store changed the DIY market in the 1970s, the repair specialist is changing the service market in the 1980s, and will continue to have a major impact on the market. A good example is the exhaust business. In 1971, exhaust products were the number one line in traditional WD sales. By 1985, exhaust had slipped to number eight. The main reason was the growth of specialty muffler shops. Muffler specialists now have some 47% of the replacement muffler market compared with about 22% in 1975, according to Goerlichs, Toldeo, OH. Although other, newer specialists such as tune-up and quick lube have much lower shares of their categories, their shares are also growing rapidly.

The success of Jiffy Lube, Baltimore, in building over 500 shops in less than ten years is a good example of the repair specialist. Jiffy has good signage, good locations in predictable neighborhoods, and a well presented story: reliable service, no appointment needed, customer friendly hours, and acceptable pricing.

In addition, the repair specialists apply the lessons of retail advertising to repair service. The three largest TV automotive aftermarket advertisers in 1986 were Midas Mufflers, AAMCO Transmissions, and Meineke Mufflers. Not far behind were MAACO, Precision Tune, and Jiffy Lube.

Repair specialists also benefit from specialization. Because they specialize in limited types of repair, training and SKUs needs are drastically reduced. However, this advantage will be reduced as the specialists branch out into second and third service categories.

SUCCESS FACTORS FOR FULL LINE AUTOMOTIVE RETAILERS

While no one factor can guarantee retail success, certain combinations make some stores more successful than others. These factors will gain in importance as the stores of the future compete harder and harder for customers. Will you be ready?

Factors	Average Sales Per Square Foot
Products Carried	
Heavy parts	
yes	$112
no	85
Engine parts	
yes	116
no	91
Safety/comfort/sound	
yes	120
no	99
Bay service	
With service	128
Without service	110
Location	
Downtown	91
Industrial area	128
Shopping mall	108
Suburban	140
Residential	125
Rural	102
National average	112
Hours Open Per Week (Summer)	
Less than 40	107
40–44	43
45–48	56
49–54	142
55–64	122
65 or more	98

Factors	Average Sales Per Square Foot
Hours Open Per Week (Winter)	
Less than 40	95
40–44	58
45–48	43
49–54	149
55–64	122
65 or more	99
Method of Inventory Management	
Card system	98
Other manual system	109
Computer	156
Card and manual	87
Other manual and computer	78
No system	63
Card and computer	91
Type of Training Offered	
Formal training on selling skills	149
Formal training on mechanical skills	76
Supplier product training	141
Selling and mechanical	95
Selling and supplier	115
Mechanical and supplier	198
None of these	98
Other	100

Source: APAA

Although several of the exhaust suppliers already own muffler shops, one completely new supplier entrant to the repair specialist field in 1987 was Modine, which opened four radiator repair shops in auto malls. Whether this is a long-term trend on the part of suppliers or just a one-shot deal remains to be seen.

Repair specialists should do very well in the 1990s, particularly as many of the specialists get into the auto malls springing up around the country. There are about 200 auto malls now, and developers predict as many as 2,000 by 1990. Most malls offer eight to 12 repair services in one location. To the average consumer, the auto mall is a complete automotive facility, offering one-stop service shopping. A customer who comes for a lube/oil change one day, will probably come back to use the muffler shop in the next bay.

Specialists Force Change

The repair specialists are already forcing some long-time discount/department store programs to change the way they do business. Zayre's, for example, which once operated

125 service centers, dropped service in July 1987. Zayre's cited intense competition, personnel problems, and the growth of service specialists as reasons. Zayre's closings followed similar moves by Target Stores, Gold Circle, and J.C. Penney. And, K mart, which continues to offer service in many of its locations, has killed almost 400 unprofitable or marginal centers within recent years.

Indeed, some mass merchandisers have been considering different ways of offering service and have come up with schemes that closely resembles repair specialists. For example, Wal-Mart and Sears are both testing quick lubes. Zayre's converted a number of its old service centers to discount tire centers on an experimental basis. And Montgomery Ward announced in September 1987 that it would open "Auto Express" centers that do tire, battery and other installation work, with a 59-minute service guarantee. Several centers will feature USA Auto Appearance Centers (detailing shops) under the same roof as the Auto Expresses.

Not only are repair specialists changing the competitive situation, new vehicle dealers are showing renewed service strength. Although there's little direct evidence of this yet, the new extended warranties offered by automakers may give the dealerships all the work they can handle in the 1990s. Import car dealers have always maintained a high market share for service (at least a third, compared to half that for domestic dealers), and domestic dealers are looking to profit from their example. Interestingly enough, auto mall developers see the strong possibility of OEMs or dealer groups setting up repair centers in auto malls. The increasing complexity of new vehicles will work to the dealer's advantage since new repair equipment will become an expensive proposition for service operations.

Add tire store service programs and revived oil company operations such as Sohio's Pro Care and Shell's Car Care to the impact of the repair specialists and the new vehicle dealer on the service market, and you see a strong challenge to the traditional repair shops. The response to the challenge by WDs will mean a change in the way WDs operate.

Changing Operations

As we detailed above, WDs changed the most in the past 20 years, and will probably (note the

COMPARATIVE ANALYSIS OF PRICING BY CHANNELS OF DISTRIBUTION (BASED ON SUPPLIER PRICE OF $1.00)

	Retail Store Chains	Mass Merchandisers	Installer Chains (Sears/ Firestone)	WD to Jobber/ Retail Store	WD to Jobber to Installer
			$2.00	$2.00	$2.89
	$1.62	$1.62			$1.84
				$1.29	$1.29
	$1.05	$1.05			
	$1.00	$1.00	$1.00	$1.00	$1.00
Parts and Turns (estimated):					
Parts	10,000	1,000	5,000	30,000	30,000
Turns	5x	8x	8x	2x	2x

Observations

- Traditional jobber is 22% higher than retail chain on popular DIY products. Explains market share erosion.
- Installer chain has a 42% price advantage over WD/jobber/installer channel on popular service jobs.
- Unpopular jobs are less sensitive to price competition from for installer chains.

Conclusions For Programmed Distribution

- Agressive pricing on fast moving items.
- Move into popular service channel.
- Increase margins wherever possible on unpopular (less price sensitive) products.
- Market share shifts between mass merchandisers and retail stores due to inventory breath and not price.

Source: AI International

qualifying word) continue to change the most in the next 10 years.

The new service competitors and new challenges to their wholesaler customers will mean the bonds between jobber and WD will continue to tighten. Although horizonal consolidations will continue in the traditional market, vertical integration will probably become more important. Parts proliferation and advanced technology will require jobbers to align themselves closer to a WD. Best estimates say part numbers will increase 15% to 20% in units and even more in dollars by the 1990s. And, as a WD told us, "Where are small jobbers going to get the money to put new numbers in? I'm talking 24,000 new numbers in the next few years. The investment is $25,000 in fuel injection alone. I'm talking about jobbers whose take-home profit at the end of the year isn't much more than that... Financial needs alone will make WDs get more involved in controls."

Add to this the cost of training for new technologies and jobbers are faced with serious challenges. WDs simply cannot afford to let their customer base dissipate. So the future traditional market will more closely resemble the retail market where programs are decided at the highest level. As WD Ham Sloan of General Parts, Raleigh, NC, put it, there's "no room for error in today's market."

WDs are dealing with the "new" service market in four ways. First, with an emphasis on reaching the end-user customer, whether the customer is a DIYer or a dealer. Secondly, with "master installer" plans that allow jobbers to discount parts to preferred customers. However, as WDs note, jobbers are weak on paperwork and have problems with the administrative tasks involved, and few jobbers are selective enough in choosing customers. Third, and more desirable, with programs that push programmed distribution one step further to the dealer level. A good example of this is the NAPA Auto Care Program. The benefit to the dealer is a national advertising and warranty program, along with training clinics. For the jobber, such a program locks in wholesale customers. The result is a program unified at WD, jobber, and dealer level.

Finally, many WDs are simply bypassing the jobber and selling direct to large repair customers. We expect to see much more of this in the 1990s. Programmed WDs had many problems convincing jobbers to be effective retailers in the 1980s; they don't want the same problem when dealing with a much more important (to them) wholesale market.

The Future

In addition to the changes in distribution channels we've described, two key changes at the OE level will affect the aftermarket. First, the number of new car makes is changing. Imports accounted for 31% of the market in 1987. This included, for the first time, Korean and Yugoslavian cars along with the Japanese and European standbys. Most OE analysts expect the domestic OE manufacturers to continue losing market share to the import OE manufacturers. Some say 2 million

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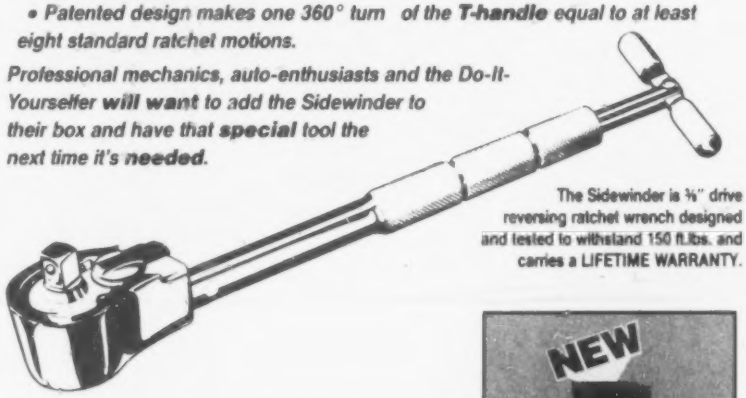

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fewer cars will be sold annually by the Detroit Big Three in the 1990s.

And, as these cars come into the aftermarket, both retailers and service providers are going to have to make changes in buying and inventory mixes to meet a different demand.

Secondly, because of intense import competition, the domestic manufacturers are aiming for the 100,000 mile car. Whether or not this is a realistic goal, there's no doubt the OE makers want better quality at the OE level. Just one example is the stainless steel exhaust systems already sold on about a third of new cars. Stainless steel, combined with higher exhaust system temperatures due to catalytic converters, can double the life of an exhaust system.

The impact of such technological improvements are something the aftermarket will have to examine very closely in years to come. ■

For more information on the merging market, see the following *Automotive Marketing* articles: *The Merging Market*, February, 1987; *WD Retailing*, August, 1987; *AM Special Report: Aftermarket Retailing & Service Changing Into The 1990s*, January, 1988.

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **John Wirebach,** Senior News & Feature Editor, **Gail Krueger-Nicholson,** Managing Editor, **Philip Katcher,** Research Editor, **Rosemarie Kitchin,** with contributions from **Edward L. Kaufman,** , Contributing Editor.

THE GROWTH OF THE AFTERMARKET

1920s: Formation of the aftermarket:
- 1. Car dealers served by car makers.
- 2. Independent repair shops served by parts manufacturers through a network of jobbers (without WDs).
- 3. A volume retail market selling to DIYers. (Western Auto, 1909; R&S/Strauss, 1919; Penn-Jersey, 1920; Pep Boys, 1921.)
- 22 million cars on the road by 1929.

1929-45: Depression and World War II.

1940-50s: Post-War Boom:
- AWDA formed. Establishment of the three-step traditional distribution (WD to jobber to installer) channel.
- Forty million cars by 1950.

1950-60s: America's Golden Age:
- Ninety million cars by 1970.
- "It's impossible to lose money selling auto parts."
- Number of gas stations reaches over 200,000, (359,000 repair outlets in all) buying from a network of 20,000 jobbers.
- Service, price, and availability the key factors.
- Rise of mass merchandisers. APAA formed.
- Supplier dominated distribution.
- DIY sales steadily increase. Manufacturers debate selling product to volume market.

1970s: The decade of change:
- 120 million cars by 1980.
- Two oil shortages close 75-100,000 gas stations.
- Number of repair outlets of all kinds falls to 275,000.
- Rise of programmed distribution: the traditional market pursues the DIY market.
- Radical design changes in domestic cars.
- Imports seize a quarter of new car market.
- Parts proliferation a major problem.

1980s: The fragmented aftermarket:
- A severe recession (1980-82) drastically cuts new car sales leading to a smaller repair market in mid-decade.
- Average age of cars rises to 7.6 years.
- Growth of the franchised repair specialist.
- Grocery/drug/hardware stores sell automotive products in large numbers.
- Conglomerates buy many volume retail chain stores.
- Mergers and acquisitions among WDs.
- Growth of WD buying groups. Some 18 programmed groups by mid-decade serving some 15,000-plus jobbers.
- Consumer-driven aftermarket.
- Retail/wholesale driven distribution.
- Performance/Light Truck markets become key sales growth categories.
- Age of the 100-store plus Megachain.
- Imports make up over 20% of cars on the road.

A LOOK AT TODAY'S CONSUMER

The trends for automotive DIYers that we saw develop in 1987 continue to hold true in 1988, according to *Automotive Marketing's* fifth annual *Consumer Automotive Repair Study (CARS)*.

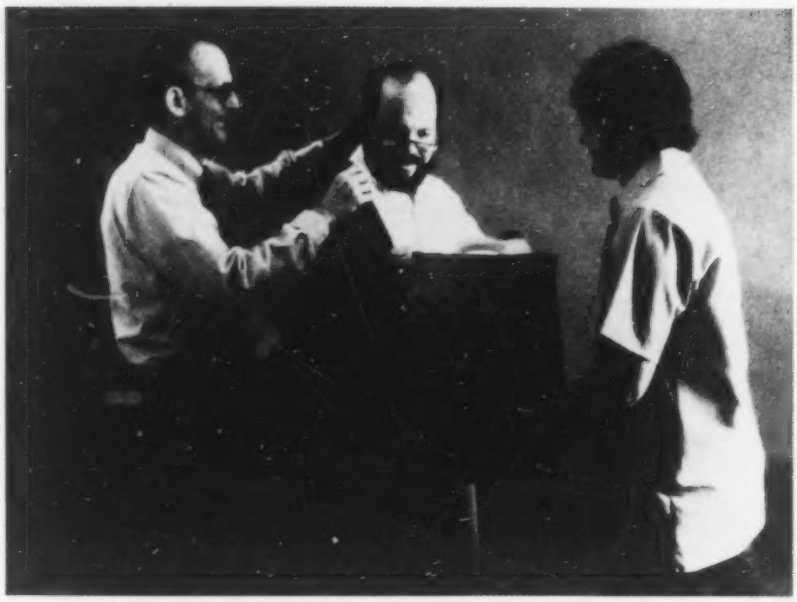
Then we said more women were maintaining their own vehicles—without professional help. That's still a trend, as we continue tracking DIYers in three year cycles. The 1988 *CARS* study is comparable to our 1985 study, which talked with DIYers who installed the products they bought themselves vs. having a relative or friend do it for them.

In 1985, we found that 27% of all DIYers were women; in 1988 that grew to 34%. But there are indications that while the overall percentage of women who are DIYers grows, the number of women who are increasing how much they actually do on a vehicle is slowing down considerably.

DIYers are making more money now than in 1985. Then, 34% made less than $20,000 a year. In 1988, the percentage making that amount of money dropped to 25%. On the other hand, 16% made more than $40,000 annually in 1985 and 21% in 1988.

There was a noticeable drop in the percentage of DIYers who were responsible for maintaining three or more vehicles. In 1985, 23% said that they had responsibility for three or more vehicles. In 1988, the percentage dropped to 16%.

In other areas, however, the 1985 and 1988 percentages remained relatively equal.



Self-Service Shopping

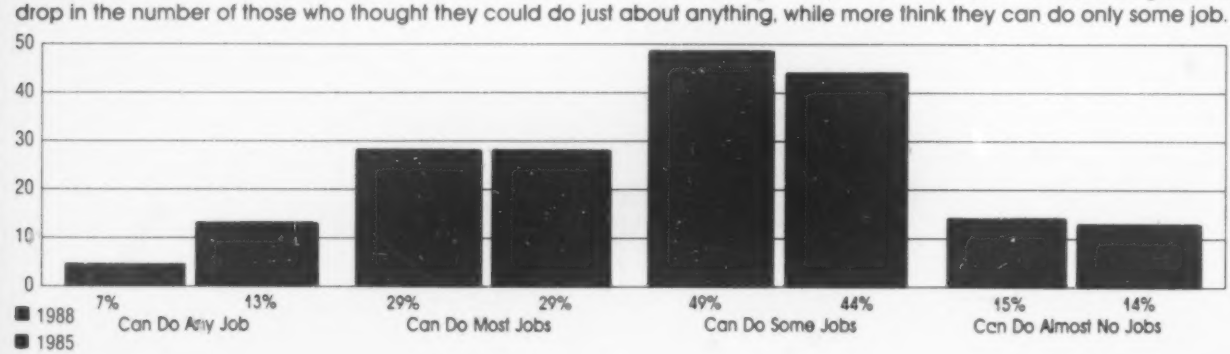
Overall percentages were roughly the same in 1985 and 1988 when comparing DIYers who chose their own merchandise to those who asked for help from clerks. Just slightly over three quarters found what they wanted without help.

There are differences among these two groups, however, which still make an experienced, trained sales force important in reaching some DIYers.

A larger-than-normal percentage of those who need help on the sales floor are women (38% asked for help), young (25% of those asking for help were under 25-years-old), and making less money than aver-

DIY SELF IMAGE

We asked DIYers in 1988 and 1985 what sort of automotive jobs they thought they could do. There has been a significant drop in the number of those who thought they could do just about anything, while more think they can do only some job.



age (27% of those who asked for help make under $25,000 annually). Those asking for help don't spend a great deal of time working on their vehicles—28% spent less than an hour a month on vehicle maintenance. And, 51% of those who asked for help spent less than five hours a month on automotive DIY work. They are responsible for maintaining fewer vehicles: 30% of those asking for help also maintain only one vehicle.

This isn't a group that spends a great deal of money in the aftermarket. But, it is a group that offers a great deal of potential in terms of future sales.

Those with the self-confidence needed to simply walk in, pick up what they think they need, and walk out are male (84% of males said they needed no help), older (80% of those not needing help are over 55-years-old), better off (79% of this group make over $40,000 annually), and highly active in DIY (83% of those rejecting help spend 11 or more hours a month on vehicle maintenance). They maintain more vehicles: 81% of those not seeking help work on three or more.

What Jobs They Can Do

Almost half (49%) of DIYers said they could only do "some" automotive maintenance jobs. The rest said they could do "any," "most," or "almost no" automotive maintenance jobs in roughly the same percentages in both 1985 and 1988. There was a slight drop in those who could do "any" type of automotive job from 13% in 1985 to 7% in 1988. Otherwise the percentages were the same at 29% for "most," and 14% for "almost no."

The most confident DIYers aren't always the best auto parts store customers, however. Where only 4% of those who spent less than an hour monthly on vehicle maintenance work said they could do any type of job in 1985, by 1988 this figure had grown to 9%, not good news for their retail parts sources. Those making under $20,000 annually who could do any type of job—a key group of individuals who are forced to maintain older vehicles—had dropped from 12% in 1985 to 8% in 1988.

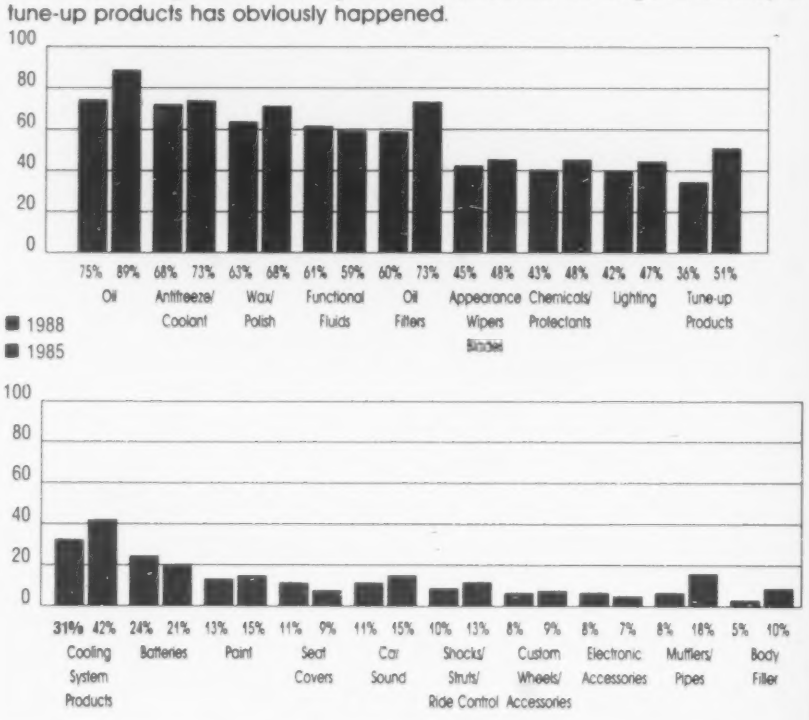
The groups in which there are significantly above average numbers of DIYers who have little confidence in their abilities, who say they can do almost nothing on a car themselves, are women (31%), middle-aged (21% saying they can't do much were between 45 and 55-years-old), and lower income (20% of those making less than $20,000 annually said they fell into this category). They don't do much of this kind of work anyway; 31% of those spending less than an hour a month on their vehicles said this.

Doing More Or Less?

People have been talking about the increasing number of women getting into automotive DIY. Well, the blush is off the rose. In 1985, 60% of all women said they had increased the amount of vehicle maintenance they'd done over the previous year. In 1988, that percentage dropped a significant 13% to only 47%. This is higher than the percentage of all DIYers who said they'd increased the DIY work they'd done in the previous year, 38%, but it shows the trend towards women doing ever-increasing amounts of work is slowing down.

PRODUCTS DIYERS INSTALLED THEMSELVES

We asked DIYers what products they actually installed themselves in 1988 and 1985. Most changes were only slight over the years, but the longawaited drop in tune-up products has obviously happened.



Is there any growing group, then? Interestingly, the only growing group of DIYers who say they're increasing their DIY work, by age, are those under 25-years-old. In 1985, 31% of those increasing their work were in this age group; in 1988, 40% were. All other groups were roughly the same in 1985 and 1988.

But, the news about the younger DIYers increasing work is encouraging. After all, it's young customers who make up most markets' potential growth.

Technology's Results

In 1988 we can see how new vehicle technology is actually affecting the aftermarket. In 1985, 15% of all DIYers said they'd done less DIY work over the previous year because their cars were too technologically complicated; this number had grown to 20% in 1988. It was the only significant swing in answers between the two studies.

Technology has forced more men out of DIY (22% of male DIYers cited this reason in 1988 compared to 16% in 1985), forced more prime DIY aged individuals out (68% of those those citing this reason were between 25 and 44 in 1988 against 42% between those ages in 1985), and forced more DIYers making over $40,000 annually (52% of those who gave this reason in 1988 versus 21% in 1985) out of DIY.

Technology isn't slowing down everybody, however. In 1985, 21% of those who had increased DIY work over the previous year said it was because they'd gained confidence in their own repair skills. This percentage jumped to 28% in 1988.

In all, 32% of all male DIYers gave this as their prime reason for increased DIY work in 1988, a significant jump from the 22% who gave that reason in 1985. Younger DIYers, too, felt they could do more. Only 20% those under 25-years-old who increased the DIY work they'd done in the previous year cited this reason in 1985. But, in 1988, it was 34% of that age group who gave this as the reason they'd increased their DIY work. And, only 9% of those who made more than $40,000 annually in 1985 gave this reason for increasing DIY work. But, an astounding 32% in this income group gave this reason in 1988.

Extended Service Contracts

This year, we asked DIYers if their cars were covered by extended service contracts. Generally, the industry figures that about 40% of cars today are sold with some sort of extended service contract. However, only 25% of DIYers have any agreements of this nature. In part, this may be so because DIYers may own older vehicles, but in part it may also be so because those who trust their own maintenance skills may feel that such an expensive, extra agreement is unnecessary.

Overall, some aspects of aftermarket sales have been affected by these agreements, at least among the quarter of DIYers out there who did pay for one. Of this group, over half (58%) said they're returning more to the dealer for service covered by the agreement as a result. Only 14% of this group said that they haven't been using some form of professional service more as a result.

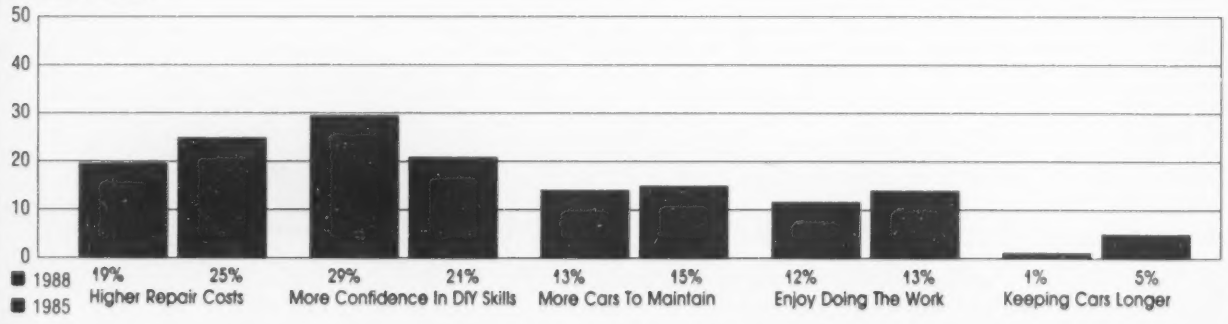
However, the basic maintenance jobs that are the bread-and-butter to most auto parts stores—oil changes, radiator flushes, and accessory additions—have not been affected by these agreements. In all, 91% of those who bought an extended service agreement with their new vehicles said they hadn't changed how they maintain their cars.

Other Comparisons

This is the second time we have compared two of our *CARS* studies.

WHY DIY INVOLVEMENT HAS INCREASED

Why did those who are doing more DIY work now than before choose to do this sort of work? We compared the answers we got to this question in 1988 and 1985 andfound that the largest change was in the number of DIYers who are confident of their DIY skills.



STUDY METHODOLOGY

This year marks the fifth consecutive year *Automotive Marketing* has produced its benchmark *Consumer Automotive Repair Study (CARS)*. This year also marks the second year of tracking the results in three year cycles.

Last year, and in 1984, our study sought to get and compare basic demographics on certain product categories. This year, and in 1985, we took our study a step further. We first wanted to find out about purchase patterns—why the respondents shopped a particular outlet for a particular product; why they chose a particular brand; whether and how they were influenced by advertising; and so forth. We also wanted to be able to project the study results across the entire U. S. population.

One thing that has not changed over the years is the way in which we gather this information—by phone from a carefully qualified respondent base. As in 1985, this year's study focused on the retailers' target market—people primarily responsible for the maintenance of at least one vehicle who do some sort of automotive DIY, be it as major a job as rebuilding an engine or as minor as washing and waxing a car.

Chilton Research Co., one of the country's leading market research firms, made the actual telephone interviews and tabulated the results.

If the person reached on the phone did not qualify both as a vehicle maintainer and an automotive DIYer, the interview was terminated. And, in order for a qualified respondent to answer any of the questions about the individual products, he or she had to have *both bought and installed* the product within the preceding 12 months.

The answers that the interviewers got were "top-of-mind" answers. Many questions were open-ended, meaning that interviewers did not provide a list of possible answers for a respondent to select from. Instead, the interviewers took down the respondent's first response. Market research professionals feel that lists of suggested answers tend to prejudice the responses.

In much the same way, the interviewers did not "probe." That is, they did not ask, "Is there anything else?" after they received an answer. The result of this is that the answers reflect the respondents' automatic and first choice answers. This means that, for example, respondents answered that things such as price and quality influenced their choice of the type of brand to buy, rather than packaging. In truth, packaging and other aspects of the product obviously do influence purchases, but they are not first in DIYers' minds.

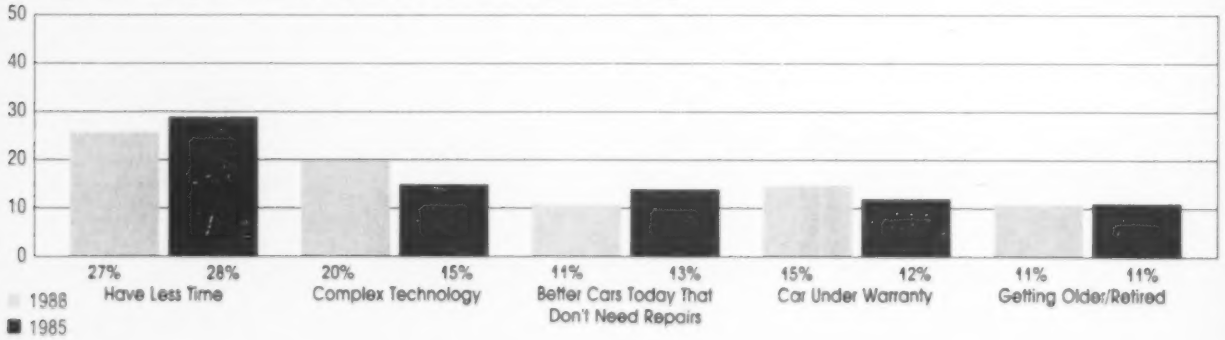
This study, as our 1985 study, concentrated on the reasons why the DIYer bought a product where he or she did. Those reasons really haven't changed over a three-year period. Now, as then, on the average, the DIYer looks for a friendly store that's easy to get to and has the image of having low prices. Once in the doors, he or she looks for the products they need that will have the quality they want.

It's as simple as that: Put stores in convenient locations, build an image of low pricing, and stock the stores with quality merchandise. Then sit back and listen to the cash registers ring. But, of course, that was as true 300 years ago as it is today. And, that's what our studies show. ■

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Philip Katcher,** Research Editor.

WHY DIY INVOLVEMENT HAS DECREASED

We asked DIYers in 1988 and 1985 why they have cut back on the the amount of work they do on their vehicles. The largest change was brought about by the new, more complex technology.



DESIGNING YOUR STORE FOR PROFIT

How do you describe a beautiful store? More than one retailer would say, "Any store that makes money is beautiful to me."

That crafty response does not dodge the issue of store design. In fact, it focuses dead center on the crux of the issue. Good store design rests on the premise that stores are vehicles to get retailers where they want to go. The store design can put that vehicle in the best possible shape for the trip.

The point is this: a well-designed store makes more money. A store that isn't well-designed will fall by the wayside in today's competitive aftermarket.

Get Their Attention

How your store looks and its image are what gets customers' attention in the first place. Today's aftermarket retailers must make a dynamic first impression and follow that up with continuing impressions of a clean, uncluttered, exciting, easy place to shop.

You can win the struggle with good store design and strong product merchandising. For instance, even a minor "re-design" like slapping on a fresh coat of paint and doing some basic clean-up work will increase business by 5%-10% over the short term, according to one store design expert.

The average consumer will purchase 15-20% more in a store that he perceives as well-merchandised and exciting to be in, according to studies done by the Point-Of-Purchase Advertising Institute. POPAI studies also indicate that 66.1% of all purchases are a result of an in-store decision between one product and another, and that unplanned or impulse purchases account for more than half of all purchases (52.6%).

So how do you harness the profit-power of store design for yourself? How do you build a positive image for your store? Begin by developing a store design that grows out of your marketing plan and how it relates to your customers. Critically analyze how your store looks by focusing on four key design points: store layout, lighting, signage, and fixtures. At each step of the way, there are professionals who can help you. But you can do-it-yourself, too.

First, A Marketing Plan

Store design means more than just pushing your gondolas around, though that is just what most retailers do when they "re-design" their stores. Store design means having a marketing plan and implementing that plan via store design.

Your store is the tangible means of expressing your overall marketing strategy. As such, the design of your store must be developed in the context of your marketing plan. Implicit in the marketing plan is a clear and concise definition of who your target customers are (or who you want them to be); what their specific needs, wants, and purchasing powers are; and how your store can best respond to them.

Central to the marketing strategy is a "consumer response statement." This is the response you want to elicit consistently from consumers when they are exposed to your store's name. For example, "good value and helpful service," or "never out of stock." The desired consumer response becomes the driving force in the marketing, and in the store design.

For example, are your customers heavy DIYers looking for a complete selection of hard parts? If so, open up the areas behind your parts counter so the customers can *see* the depth you have in hard parts. Put up no nonsense, industrial shelving. Expose all the nuts and bolts, from the light fixtures to the heat ducts.

Are your customers car-proud performance freaks? If so, round off all the corners and finish all the edges. Cover exposed surfaces with high gloss, shiny materials. Give your store a slick, sporty feel.

Do all of this and you have created a store that *looks* like your cus-

tomers. You have created a positive, comfortable shopping environment that fits your customers' image of what "their" aftermarket store should look like. In other words, the design of your store should appeal to your target core customer base. If it does, those people will visit your store frequently. And they will buy more. If the design does not clearly articulate the consumer response statement, then a crucial link in your marketing communications strategy has been broken.

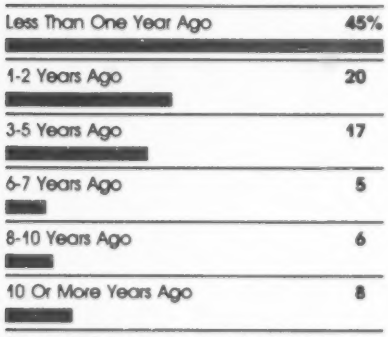
Do you want to capture a different customer base? Then reposition your store by changing how it looks. Just make sure to project a sharp, clear image. A little bit of everything adds up to nothing.

Assessing Your Current Strategy

The first step in developing a comprehensive marketing plan for store design is to assess your current strategy. With that strategy articulated, you can measure current marketing plans and programs against that strategy statement to see where they mesh, where they skirt one another, and where they clash. The objective is to analyze the way you address the consumer response statement, the retail mix and the marketing mix. Let's look at each:

STORE DESIGN

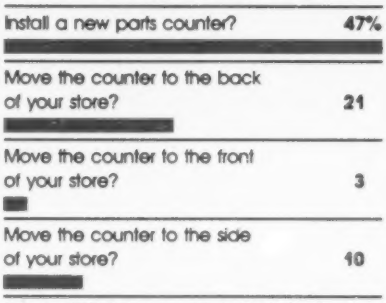
We asked our Retail Panel: "How many years ago did you last update or change the look of any part of your store?"



Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: PARTS COUNTERS

We asked our Retail Panel: "When you last changed the look of your store, did you do any of the following to your parts counters?"


Install a new parts counter? 47%
Move the counter to the back of your store? 21
Move the counter to the front of your store? 3
Move the counter to the side of your store? 10

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

- **Consumer Response Statement.**

This is the first element of the existing marketing strategy to be assessed. What is the statement? How does it reflect your marketing strategy? How effectively is it being implemented?

- **Retail Mix.**

The retail mix consists of product selection, value, and service. Measure your retail mix against the consumer response you desire and your marketing strategy. Examine the variables of selection, value, and service.

Selection is defined as the breadth and depth of merchandise offerings, as well as the scope of the merchandise categories.

Value is the relationship among price, quality, fashionableness, timeliness, and trendiness.

Service is all of those variables other than value and selection which motivate a consumer to buy merchandise. Included are elements such as location, operating hours, ease of access, image, layout, visual merchandising, merchandise mix, inventory service level, housekeeping, check-out, returns policy, lay away, customer-recognition programs, and selling floor coverage.

To make your assessment even more useful, however, look objectively at how the market perceives your store. Such marketplace perceptions can be obtained through market research programs such as focus groups, through in-depth interviews with customers, suppliers, landlords; through surveys and reviewing media coverage.

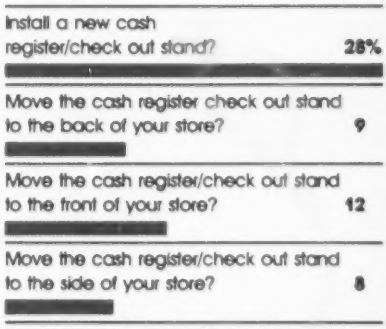
How Does Your Store Look?

Get out from behind your parts counter and your cash register and take a hard, cold look at your store. Look at it from the customers' point of view. Ask yourself, "Would I shop here if it were somebody else's store?" Ask your wife if she'd be comfortable shopping in your store. And, ask your customers how you could improve your store, how you could make it more comfortable for them to shop in.

When you're done asking those questions, go to other aftermarket stores and ask the same questions. And when you're done there, go to

STORE DESIGN: CASH REGISTER/ CHECK OUT STAND

We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your cash register/ check out stand?"


Install a new cash register/check out stand? 28%
Move the cash register check out stand to the back of your store? 9
Move the cash register/check out stand to the front of your store? 12
Move the cash register/check out stand to the side of your store? 8

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

DESIGNING YOUR STORE FOR PROFIT

other types of stores (clothing stores and grocery stores are the best at design and merchandising, according to the experts) and ask the same questions.

You may not like the answers you get, or how your store stacks up against the others, but you can do something about it. Begin by focusing on your store's zones.

Store Zones

Each space in and around your store serves a purpose. Likewise, each space sends a message to the consumer. Therefore, a good design facilitates the retailer's needs *and* communicates the proper message to the consumer.

- **The exterior perimeter zone, or the outside of the store:**

What message does the outside of your store send to consumers as they step from their cars? Does your store have windows that consumers

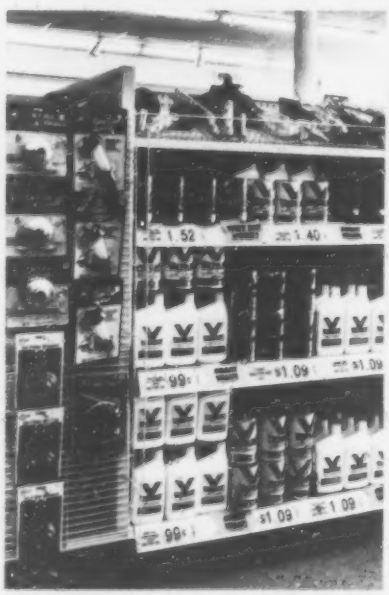
GREEN LIGHT GOES RETAIL: A CASE STUDY FOR STORE RE-DESIGN AND RE-MERCHANDISING

Three years ago, the executives of Green Light Auto, wholesale distributors from Ft. Smith, AK, (part of Mid-America Industries) made a decision. Green Light decided that the 475 jobber stores they sell merchandise to needed repositioning to successfully compete against retail automotive chains and discounters for a bigger piece of the aftermarket pie.

They decided the jobber stores had to be brighter and cleaner. They had to have modern traffic patterns. They had to carry lines of "out front" retail-oriented products like air and oil filters, oil, and accessories in addition to their standard lines of hard parts. Those "out front"products had to be well merchandised and competitively priced. And advertised. In short, the Green Light jobber stores needed to be redesigned.

To that end, Green Light developed an aggressive turnkey retail program, the heart of which includes store re-design and re-merchandising, for its jobber stores in the Midwest and Southeast. All the stores now serviced by Green Light will be converted in five years, according to the marketing manager of retail programs, Charles Bockelman. And new stores will have the Kelly green and yellow Green Light retail look, too, Bockelman, who came to Green Light from Western Auto, said.

The results of the program are impressive. "We've found that jobbers who have converted to our retail look have seen an average 23.5% increase in sales," Bockelman said. A 14% to 15% increase in business is the break-even point for the converted jobbers. Most of the jobbers who convert recoup their initial $40,000 (average) investment in six to nine months, he added.



Converting to the retail program is a turnkey operation. When a jobber decides to convert, he contacts his regional Green Light representative. Together, with help from the marketing staff in Ft. Smith, they develop a profile of the jobber's market area, a profile of the customers he has and the customers he wants to reach, and a profile of his competition. In all probability, it will be the first time the jobber has ever looked at his business like this. From there, the jobber and the regional Green Light representative develop a plan to help the jobber implement the retail program.

Bockelman uses a step-by-step formula to convert jobber stores to out front retailers. "We begin by giving a jobber store a complete new retail look inside and out. It's attractive to consumers. The program has exterior and interior design that includes color and decor, graphics, and signage. A bold use of green and yellow stripe accents is Green Light's trademark," Bockelman said. The redecorating costs an average Green Light store about $3,000.

"The new look alone is a big plus for increased sales," Bockelman added.

After getting the customer into the store, the next step is to get him through the entire store. This is done with store layout. Green Light Auto creates traffic flow by placing the "milk and bread" staple items, like oil and air filters, in the rear left hand corner of the store.

"Studies show that consumers naturally turn to the right when entering a store. By placing the staples in the far left hand corner, we force the customer to walk through the entire store. While walking through the entire store, we hope

can look through to see merchandise? What is the color of the exterior walls? Are there any signs visible? What is their intended and actual message? The key question related to these and all elements of the exterior perimeter is: "How does it reflect my marketing strategy?"

• **The store front zone:**

This area has particularly strong impact on consumers. Does it extend an invitation welcoming shoppers? Doors, windows, and passageways have a subtle way of communicating signals to consumers. Good design can make those signals be what you want them to be.

• **The selling floor zones:**

Selling floor footage is seen as many zones. First, it is looked at as a whole, perceived with a fore-

he will come across products he needs but had no prior plans of purchasing," Bockelman said.

Green Light's retail program offers jobbers 3,000 SKUs across 118

lines of retail-oriented "out front" products in addition to the hard parts they already carry. The average Green Light store has 1,500 sq. ft. of store space that can accommodate about $23,000 worth of product in front of the parts counter. Green Light provides jobbers with planograms for the products. There is usually $17,000 worth of inventory in the back room.

Green Light encourages its jobbers to use cross merchandising techniques to create impulse sales. Some examples include displaying wiper blades next to windshield washer solution, chamois next to wax, funnels next to oil. "The beauty of impulse sales is that these products typically generate a very high profit margin. The profit margin on a funnel can easily be 50%," Bockelman said. The technique of cross merchandising is not new, but most jobbers need to be reminded of how effective it is from time to time, Bockelman said.

The amount of product merchandised on a gondola is another important factor for increased sales. To prevent shoplifting, most Green Light gondolas have a 4' height limit so employees at the parts counter and cash register can clearly view customers.

But, "You obviously need to merchandise as much product as possible on a gondola without making it look cluttered and unattractive," Bockelman said. So, in addition to traditional gondolas and in addition to hanging products with standard pegboard display hooks, Green Light uses cross-bars and hooks and end cap extensions to create more display space. Green Light uses a universal bracket on its gondolas to attach the cross-bars. They create as much as 28% more display space per gondola. New fixtures cost the average Green Light store about $7,500.

"Converting a store to the retail format is a very detailed operation," Bockelman said. "Merchandise is tagged as to product, stock number, stocking quantity, etc. We can supply professional stocking crews to the jobbers for the conversion. Stores that attempt the conversion on their own often wish later they hadn't," he said.

Green Light's retail-oriented products are priced at three different levels to produce between 32.5% and 38% gross profit for the jobber. "It's hard for a jobber to ignore that kind of profit margin," Bockelman said.

Which price level the jobbers use on specific products depends on how the competition is pricing similar products. "If our guy has a major discounter right down the street, we'll suggest he price at the 'A' level. At that level he is within 5 to 7% of the discounter's retail price on a product like a Fram filter. We'll try to keep him on the same price level as an AutoZone or a Pep Boys with the same product," Bockelman said. If competition isn't that stiff, the jobber can use the "B" or "C" price scale and make a slightly higher gross profit.

The final phase of the Green Light turnkey conversion is advertising support. Typically, jobbers do not advertise or do not advertise to the greatest effect, Bockelman said. To help the jobber do a good job promoting his new retail look, an eight-page four-color newspaper insert is provided to the jobber from Green Light's in-house advertising department in Ft. Smith. As part of the conversion, the jobber and the regional Green Light representative choose between a nine times or 12 times a year advertising program.

By borrowing store designs, merchandising techniques, and product philosophy ideas used by other retailers, the Green Light jobbers have been able to increase their bottom line profits. The Green Light jobber conversion program is a success.

ground, a middle ground, and a background. How does one part harmonize with another? Considering the consumers' lines of sight from the entrance and other parts of the selling floor, does the company's marketing strategy unfold in the three ranges of the picture?

• **The wall zone:**

This includes the ceiling and the overhead space. What colors, merchandise, and decoration do consumers see on the walls? What mobiles and signs hang overhead? Are the tiles and lighting in the ceiling complementary to the overall design of the store and to its merchandise?

• **The service counter zones:**

Where are the service counters? If service is a foundation block of your marketing strategy, shouldn't service counters be easily accessible? And do they also serve to promote merchandise? Does that merchandise on the counters look attractive or not?

Here's another service counter issue. Should consumers see the service person tracking down hard parts, or should that zone be completely hidden? What message does each attitude suggest, and which is more appropriate for the company strategy? These kinds of issues are all part of store design considerations.

• **The aisle zone:**

Is a racetrack format more in line with your marketing strategy than a zig-zag? Similarly, the gondolas and end caps are important. They must display merchandise yet provide consumers with enough personal shopping space to feel comfortable.

Most store space zones are vehicles for presenting merchandise. The customer should not be aware of the fixtures other than as part of a visual presentation which makes products exciting and interesting.

Each zone must be challenged with the question: "How does it contribute to our store's consumer response statement?"

If the link is not clear and precise, the design must be adjusted for greater overall harmony and reflection of the company mission.

Now, consider the three main points of store design: layout, signage, and fixtures.

Store Layout

A well planned store layout, or customer circulation pattern, may be the single most important factor in improving your store's sales. It takes good customer movement, or traffic flow, to expose *all* your customers to *all* your merchandise. Most store designers prefer the loop or racetrack layout. With an effective loop, the store is easy to categorize. Strong merchandising statements are easy to make.

Ask yourself the following questions about your store layout:

- **Can your customers see all the merchandise you offer?**
- **Can two customers comfortably push shopping carts down one of your aisles in opposite directions at the same time?**

If you answer "no" to these questions, it's time to push those gondolas around. But remember, with all the merchandise exposed to your customers, you may have to reshape some of your thinking: There

DESIGN PERFORMANCE CRITERIA

Each store is designed to deliver specific performance criteria. An example of one retailer's design/performance criteria follows. Note how these criteria emphasize marketing and merchandising, as well as service—all points treated in a marketing strategy.

- Create a more interesting environment, one that is: more expressive, more personal, more appealing, and more varied.
- Make shopping easier by making it: more understandable, more accessible, better, brighter, and clearer.
- Optimize volume with: a balance of high and low velocity items, the impression of breadth and depth, emphasis on a faster pace, and the promotion of urgency.
- Create self-service flexibility with: visual merchandising/display, graphics/directional signage, quick orientation of shoppers to brands, categories, and products, employee-customer interaction, support services, and customer assistance to change ignorance to knowledge.
- Expand presence of hard parts with: a clarification and enhancement of the section, a balance of volume setting with one-of-a-kind setting, the enhancement of each product's or category's character, and the telling of a merchandise story.
- Improve efficiency and productivity through: merchandise processing systems, merchandise presentation systems, and administrative work-flow.
- Expand idea of service with: a focus for customer attention, the consolidation, amplification, and strengthening of pertinent areas.
- Attract younger, middle-income customers through: presentation, selection, graphics, and a spirited, genuine, contemporary environment that adapts to changing needs.

are no corners that can be forgotten, and buying mistakes can not be hidden.

Signage

Signs can be categorized as image (large graphics of race cars and products), directional (over the parts counter, over the cash register), informational (menu of available services) or identification (aisle markers, product signs) and point-of-purchase (display signs provided by manufacturers or produced by the store). Each category of sign should blend with the total theme of your store and each should be used with discretion. Signs should not distract from your merchandise, but should be an aide to sales.

Ask yourself the following questions about your store signage:

- **Do your signs identify all the merchandise you have to offer?**
- **When customers walk in the front door, can they tell what sort of store you are (a store heavy on hard parts, a store heavy on performance parts) by your signs?**
- **Can customers quickly find the aisle where you keep wax and polish (or any other product category) by looking at your signs?**
- **Do other signs direct customers to other items of interest like sale merchandise and special buys?**
- **Do you keep point-of-purchase (POP) signs up to date?**

If you answer "no" to any of these questions, or if there are signs in your store that do not perform those functions, throw those signs away and start over.

Fixtures

Fixtures are to your merchandise what scenery is to actors in a play. Fixtures and scenery do not, and should not, dominate the action. They should instead set the stage for a successful production or, in the case of your store, a profitable transaction.

The universal problem in retailing today is how to use space profitably. Fixtures can play an important role in the overall design and organization of a store for profit.

Ask yourself the following questions about your fixtures:

- **Do your fixtures organize space and merchandise?**
- **Do your fixtures present excitement through variety?**
- **Do your customers see fixtures rather than merchandise?**

If well planned, fixtures should provide a layered effect. This effect unfolds the merchandise to your customers as they walk through your store. It is accomplished through variety: variety of gondola or fixture height, variety of fixture type, and variety of techniques. This prevents a store from looking boring and identifies merchandise categories for easier shopping.

STORE DESIGN: GONDOLAS & ENDCAPS

We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your gondolas and/or endcaps?"

Install new gondolas?	66%
Raise the height of your gondolas?	17
Lower the height of your gondolas?	16
Move or re-arrange your gondolas?	58
Install new endcap fixtures?	47
Move or re-arrange endcap fixtures	28

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: MERCHANDISING & DISPLAY

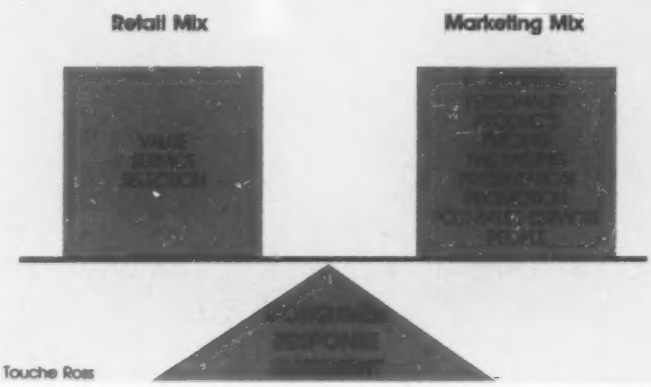
We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your wall displays, light, and/or indoor signs?"

Install new (or update) wall displays for merchandise?	59%
Install new (or update) your lighting fixtures?	27
Install new (or revise) your in-store signs?	28
Change or establish your in-store color scheme?	92

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

SUCCESSFUL RETAILERS PREFORM A BALANCING ACT

Merchandising and marketing strategies must balance and be supported by the consumer response statement. That is the statement that describes the response to his store that the retailer wants to consistently get from his customers.



Source: Touche Ross

DESIGNING YOUR STORE FOR PROFIT

FIRST THINGS FIRST

Realizing that not every retailer wants to, or can, tackle a whole store re-design at once, *Automotive Marketing* asked some experts what's the one thing an aftermarket retailer should do right off the bat to improve his profit picture. Their answers may surprise you.

- "If the interior is older, put on a fresh coat of paint. If it's not too old, take a close look at the lighting," Peter Carpenter of Miller/Zell Design Center, Atlanta, said.
- "Examine what your competition is doing. You may not need a major re-design, just some updating. Use the Yellow Pages and get all the free information you can from store display firms," Paul Swanson of Clairson Commercial Display, Ocala, FL, said
- "Buy some light bulbs and a can of paint. Most stores are underlighted and dingy. Just making the place brighter will help," Les Masover of Retail Store Planning Center, Lincolnwood, IL, said.
- "Clean it up. Good maintenance shows that you care. This carries through everything you do," Murry Gelberg of Gelberg & Co., New York, said.

The experts also agreed that unless you have the budget to do everything all at once, it is fine to do a little bit of your store at a time. Just have a master plan on paper first, so the end results all point in the same direction.

STORE DESIGN: HOW WILL YOUR STORE LOOK?

We asked our Retail Panel: "Do you plan to update or change the look of any part of your store in the future?"

Source: 1987 *Automotive Marketing* Retail Panel

Merchandising

Nothing, absolutely nothing, beats a well merchandised store for creating shopping excitement and bringing in those customer dollars.

Remember that POPAI studies indicate that the average consumer will spend 15-20% more in a store that he perceives as well-merchandised. A well merchandised store is a store with a focused presentation. That means that every element of merchandise presentation from easy to read merchandise price tags, to merchandise location, to merchandise display is geared to making buying the products easy.

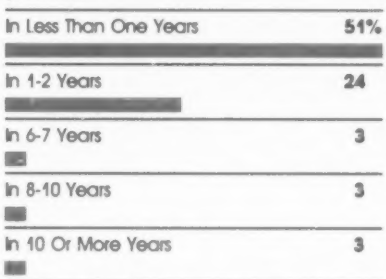
And the same POPAI studies also indicate that 52.6% of all items are bought totally on impulse. Those impulse sales may be unplanned by your customers, but you must merchandise your store in such a way that you can grab those discretionary dollars.

Cross merchandising—putting related high profit margin items with other products (like funnels with oil, chamois with waxes, and flush kits with antifreeze/coolant) is a proven way to generate impulse sales in aftermarket retailing. But there are other merchandise techniques that can help boost those sales in your store to consider also. For instance:

- **Have you taken advantage of manufacturers' package designs by letting the packages do a selling job for you? Manufacturers spend bundles to make their packages "silent salesmen," take advantage of that and show the packaging off to good effect.**
- **Have you presented the merchandise horizontally or vertically? Vertically color blocked merchandise takes less time for a cus-**

STORE DESIGN: HOW SOON?

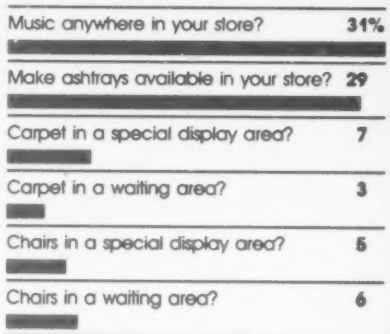
We asked the Retail Panel members who did plan to update or change to look of their store: "How soon do you plan to update or change the look of any part of your store?"



Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: CUSTOMER AMENITIES

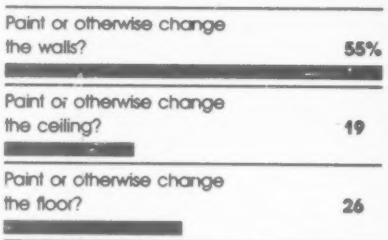
We asked our Retail Panel: "When you last changed to look of your store, did you add any of the following customer amenities?


Music anywhere in your store? 31%
Make ashtrays available in your store? 29
Carpet in a special display area? 7
Carpet in a waiting area? 3
Chairs in a special display area? 5
Chairs in a waiting area? 6

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: INSIDE MAINTENANCE

We asked our Retail Panel: "When you last changed to look of your store did you do any of the following inside maintenance jobs?"



Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

tomer to scan than a horizontal ribbon of color arrangement.

- **Have you placed high ticket "want items" within the customers' direct line of sight, or do they have to bend down to see small items?**

Today there are some technological breakthroughs that make merchandising more exciting and entertaining. Some of these include:

- **Giant three dimensional graphics for your windows.**
- **Sound systems for mood music and promotional messages.**
- **Holography imagery where spokespersons are "beamed down" right in your aisles to talk to your customers.**
- **Computer displays and key boards to answer your customers' questions, to display product information, and to demonstrate product.**

Remember, no matter where you merchandise the products you offer—on the floor, ceiling, walls, or end caps—successful merchandising uses a clarity of presentation to promote, inform, and educate your customers about the products you carry and to induce them to buy those products.

How Often, How Much

Experts say that good store design is a matter of constantly re-evaluating how your store looks compared to other stores. You should have a rotating schedule of basic maintenance jobs such as cleaning, sign maintenance, and end cap updating on a daily and weekly basis. Inside and outside painting and other major jobs can be scheduled on a yearly basis.

A complete design update should be planned for every five years unless special circumstances (such as new competition coming into your market area) make it necessary to do it sooner. That is, you need to redesign whenever the cash register stops ringing.

How much will this cost you? That depends. A simple "up-date the fixtures and add a fresh coat of paint" job will cost you about $10 per square foot. A more extensive re-design will cost you somewhere between $20 and $100 a square foot. But, as our experts have told us, it's the best money you'll ever spend.■

For more information about designing your store, see the following *Automotive Marketing* articles: *Clear Goals Make Better Prototype Stores*, August, 1987; *Designing Retail Parts Stores For Profit*, September, 1987; *Store Design Harmony Brings Success*, August, 1987.

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Gail Krueger-Nicholson,** Managing Editor with contributions from **Neil Levy,** Touche Ross.

THE NINE P'S

Before redesigning your store, or designing a prototype, determine how well the marketing mix measures up to the marketing strategy by examining the nine P's of your marketing mix.

- Positioning.

How well has your company defined its consumers and target segments and matched them with categories, quality, and price points of merchandise?

- Personality.

What is the image consumers have of your store? How close is their view to your consumer response statement?

- Products.

Review your merchandise categories, brand names, quality, price points, and sizes in terms of the targeted consumers' needs, wants, and purchasing power.

- Pricing.

Compare selection, value, and service (retail mix) of your merchandise to that of your primary competition. Even a good marketing strategy, successfully implemented, is doomed to fail if your competitors are doing the same thing better.

- Packaging.

Consider such things as the colors and graphics used on your store's logo, bags, forms. Are these coordinated with the company's business image, merchandising thrusts, and consumers' tastes and expectations?

- Presentation.

Are your current store design, visual display, and graphics in harmony with the business image, merchandising thrust, and consumers' taste?

- Promotion.

Are your communications programs working hand-in-hand with the marketing strategy? Look at your sales and store promotion, institutional advertising and public relations, and merchandise advertising. Do they support the business image, merchandising thrust, target market, and merchandising programs?

- Post-Sales Service.

You must determine how post-sales services—such as return policies—accommodate the targeted consumer's expectations, the store's personality, and positioning.

- People.

The perception consumers take home with them is strongly influenced by the people who serve them (or fail to serve them) at the store.

COMPUTERIZE YOUR OPERATION FOR PROFIT

Four years ago, we said that retailers would have to computerize in order to survive into the 21st Century. We said computers would be required for basic inventory control, personnel scheduling, parts look-up, accurate ring-ups, payroll, billing, and other functions.

Among aftermarket retailers we recently surveyed, 70% have computerized their businesses to some extent. And, they are happy they have computerized. Steve Levine, Midway Auto Stores, Dallas, for example, said that his company installed a well-known jobber system three years ago. "We have been able to double turns on merchandise and get a handle on theft problems," as a result of that installation, he reported.

Since 1984, hardware (terminals, keyboards, processing units, and the like) manufacturers both have added more and more possibilities for computer uses. The result has been a plethora of new possibilities—and new confusions—for computers and their owners.

After all, retail automotive aftermarket businesses run on bits and pieces of information. Such information includes prices, product turns, SKUs, sales, and orders. Today, automotive retailers have only to pick up a business magazine to read about how companies use management information systems (MIS)—systems that put all those bits of information in a meaningful fashion—to gain competitive advantages.

You might wonder then, are there information systems you should be developing for your aftermarket business?

There probably are. Such information systems and their uses include:

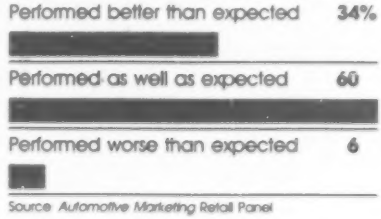
- **Generic systems that run the day-to-day business, such as payroll and general ledger.**
- **Systems used to enhance productivity, such as computer generated labor scheduling.**
- **Systems used to gain a competitive edge, such as a data base of competitors or zone pricing.**
- **And systems which are considered defensive in nature—like those which stores use to improve customer service levels, automated electronic ordering system tied to suppliers for instance.**

But before working on top-of-the-line, competitive systems, first be sure all the generic systems that run your business day-in and day-out are in place and running smoothly.

Almost every successful retailer has good quality systems for daily operations. And having those systems requires corporate information planning.

HOW COMPUTERS PERFORM FOR AFTERMARKET RETAILERS

We asked retailers who had computerized how they found their systems worked for them after their installation. A significant number discovered more benefits to computerization than they had expected.



Source: *Automotive Marketing* Retail Panel

Why Plan For Information?

Information planning is a process that identifies system needs, priorities, and ways to satisfy them. It is a major expenditure justified by your company's need to support your business plans.

You might ask why you should plan for information systems. Just consider for a moment the capital, time, and people you invest in your information systems. Your information systems should be planned just as any major expenditure is, and should be closely linked with your business plans.

For automotive retailers, planning is even more critical than for some other retailers. In the past few years, the aftermarket has become

more competitive, and typical merchandise planning is done on a six-month time period. Most major information systems usually take at least a year to implement, even when using a developed package, so planning is critical. In addition, without careful planning in the systems area, resources can be pushed and pulled continually, addressing short-term problems and never getting to the major systems needed to run the business and remain competitive.

Developing Your Plan

There are four major phases in developing your information systems strategy and plan:

- **Assessment: review current information systems status.**
- **Strategy development: determine information systems strategic direction.**
- **Plan development: conceive the information systems master plan.**
- **Execution: implement and control the information systems plan.**

First, there are some basics to consider starting with the planning team. The team should be led by the senior management information systems (MIS) or data processing executive, if your company has one. The team members, one from each functional area of the business, should report to the senior executives of the company, to ensure clear direction and priorities on the business plans, resolution on key policy and business decisions, and commitment of the resources necessary to developing the plan. The team should get management approval before implementing the final plan to prevent hassles and delays.

Another consideration is that information planning is not a cookbook, step-by-step activity but rather a *process* that needs to be modified to meet your needs. The team must seek and be receptive to the needs of all information users and provide enough flexibility in the plan to adapt to these needs.

Timing is another important consideration. Try to complete the plan in a relatively short time so that planning does not become an end in itself. A typical automotive retailer can develop a high quality, long-range information systems plan in about two to four months. The plan should cover three to five years.

The *level of detail* at the planning stage is still another consideration. The first step in the execution of the plan for a particular application is a detailed feasibility study and an outline of the system requirements. Your plan needs to describe applications in broad terms with broad statements of your business needs.

Assessment Of Your Status

The planning process begins with assessment of the current information available, your company's business plans, and the systems needed to support those plans. In this phase, the project team answers the following questions:

- **Where are we?**
- **Where do we want to go?**
- **What are the business, technology, and resource issues?**

To answer these questions, your team must understand your business's needs and directions, the current status of MIS within your company, the status of other automotive retailers in the technology area, and where technology is headed. This information enables the team to understand the opportunities which technology can provide to run your business more effectively.

This assessment phase is very important because the team must have a clear picture of where the company is before it can develop a road map for where it wants to go. Part of the assessment involves determining user needs and satisfactions, as well as the MIS capabilities needed to support increased demands and new business plans.

Developing Strategies

This phase sets the direction and strategy for MIS. During this phase your team answers the following questions:

- **What are the options?**
- **What are the cost/benefits tradeoffs?**
- **What is the "best" direction to take?**

In answering these questions and developing the strategy, the team keeps in mind your business goals and objectives, as well as the risks and impacts associated with each one. The team must develop broad alternatives in terms of applications, data management, and the technical and organizational support needed to collect all the necessary data and provide flexibility to report on it in

POS MERCHANDISING BENEFITS

Retail companies expect merchandising benefits from their POS systems. While the realization of the benefits has decreased, the absolute number of firms actually realizing the benefits has increased. For example (see the top line of this chart), in 1986 25% of the respondents to this study actually realized reduced markdowns from POS (56% initially expected times 45% realized expectation), while in 1981 only 14% (28% initially expected times 51% realized expectation) did so.

	1986		1981	
	Initially Expected	Realized Expectation	Initially Expected	Realized Expectation
Reduced markdowns	56%	45%	28%	51%
Reduced inventory levels	57%	42%	43%	58%
Increased inventory turns	57%	40%	41%	55%
Increased gross margins	56%	38%	25%	72%

Source: Touche Ross

many different ways.

During this phase, your project team looks at justification for the various applications. The justification can take many forms. For generic systems, there may be limited cost/benefit analysis. For systems that enhance productivity, there may be a more traditional and detailed cost/benefit analysis. For competitive systems, the justification is more often a description of the business benefits. For defensive systems, the justification usually takes the form of a description of the business benefit.

The strategy developed during the prior phases is now ready to be turned into an implementation or master plan. The master plan should include time frames, resources, responsibilities, and budgets. During this phase your team answers the following questions:

- **What are the company's priorities?**
- **What resources are required?**
- **When will the plan be implemented?**

In developing the master plan, the team must be practical and consider, for example, the organization capabilities of both MIS and users, the resources, constraints, the financial implications, measurement of success responsibilities, and the risks. The master plan should specify the sequence of activities and assign responsibilities.

Plan Implementation And Control

This phase is the last and, in many ways, the most important in business information planning. During this phase your team begins to execute the plan. It is crucial to recognize that the plan is subject to change. Mechanisms must be in place to monitor the progress against the plan and to recognize when the plan needs to be changed because of business needs, competition, or technology change.

Questions answered in this phase are:

- **How do we manage and control the plan?**
- **When do we update it?**

The project team needs to employ a management and control process appropriate for your company, the project's risks, and contingency positions. A steering committee is a very good vehicle for managing the plan on an ongoing basis, with an annual review as a part of the business planning process. The plan should identify major milestones, develop a control reporting approach, and establish responsibilities for managing, monitoring, controlling and updating.

POS DATA COLLECTION BY SALES VOLUME (NORTH AMERICA)

Throughout North American, as in the rest of the world, most retailers regardless of sales volume collect POS data daily.

Sales In Millions	Collect Daily	Collect Weekly	Collect Bi-weekly	Other
Total	83%	6%	NA	11%
$1-50	84%	8%	NA	8%
$51-150	81%	5%	NA	14%
$151-250	89%	NA	NA	11%
$251-350	89%	NA	6%	5%
Over $351	80%	6%	NA	14%

Source: Touche Ross

Once the overall plan has been devised, the committee can start looking at what is available in the field. To help with this, let's look at a few of the latest trends and hardware offerings in the computer field for aftermarket retailers.

Specialized Systems

One major trend is towards ever more specialized computer offerings for specific tasks. By now there's a specialized computer system available for just about every type of aftermarket business.

The best known in the industry are the plethora of systems designed for jobber/retailers. Well-known names in this field include Armor Systems, Maitland, FL; Autologue Computer Systems, Fullerton, CA); Counter Systems Corp., Flushing, NY; Datatron Systems Corp., Des Moines, IA; Distribution Management Systems, Rocky Mount, NC; ICAS Computer Systems, Sparta, NJ; Kirk-Van Orsdel Computer Services, Des Moines, IA; MacDonald Computer Systems, Burbank, CA; Parts Data, Andalusia, AL; Rexon Business Machines, Culver City, CA; Triad Systems, Sunnyvale, CA; and The Ultimate Corp. East Hanover, NJ.

With so many systems offered, it is no surprise that not one is universal. In all, at least 17 different hardware brands are used by retailers across the country. However, 37% of the jobbers with significant amounts of retail sales we surveyed said they had installed Triad systems, while 13% use IBM hardware. Interestingly, when the Automotive Parts & Accessories Association (APAA) did a survey of retail computer users in 1982, only 22% used Triad systems, while 30% used IBM systems.

Besides jobber systems, there are specialized computer systems for tire dealers, repair shops, and collision repair shops. And there are packages to be assembled from generally available hardware and software that volume retailer can, and do, use. This, however, may be an advantage since the retailer is not confined within a too-specific system. James Willey, Waverly Motor Supply, Waverly, IA, for example, installed a computer system three years ago. "The units have worked well," he said. But, he added, "We find we would like to go to even more sophisticated equipment."

Point-of-Sale Systems

Over the past few years *Automotive Marketing* has stressed the value of Point-of-Sale (POS) systems for retailers. In January 1987, Touche Ross produced a study on the status of computerization in all retail segment, done in conjunction with the National Retail Merchants Association. The study is called *Point Of Sale: Current Trends And Beyond*. What it found was a change of attitude since 1981, when most retailers found it difficult to justify the costs of POS. The study found that, today, most retailers feel it pays for itself—and that most large retailers use some form or another of POS and an in-house computer.

Aftermarket retailers are keeping up with the other large retailers in terms of installing POS systems. In the latest *Automotive Marketing* survey, 48% of them reported that they used a POS system in their stores. Most capture SKU data; do accounts payable and general ledger during financial cycles (but not heavily for payroll); and do staple stock, purchase order management, and merchandise receipt during purchase cycles with their POS systems.

In general, Touche Ross found that retailers got much more from their POS systems than they expected. Consequently, retailers in all segments, including the aftermarket, are investing heavily in this technology and receiving benefits from its increased use, according to the survey. But while respondents to the survey said they were getting much more from their systems than did retailers in similar 1977 and 1981 surveys, the full potential of these systems is still to be tapped.

As POS has grown, its users see management changing because of it. Most told Touche Ross that there will be more technology employed at the store level and that MIS groups will become increasingly important in creating future business strategy.

Touche Ross found that the rate at which retailers using POS can convert to new equipment has accelerated. The period of implementation is shorter today than it was five years ago, and the number of stores converted annually is greater. Interestingly, smaller retailers are more aggressive about replacing old equipment than are larger ones. Most retailers begin replacing their POS equipment within the next three years, while almost 45% of POS equipment in North America is over five years old.

POS Pays For Itself

The Touche Ross study respondents felt that POS is cost-justified. In fact, it pays for itself. As a group, the respondents spent slightly more than 1% of sales on MIS. It is difficult to put a dollar value on the benefits achieved, in part because the store is not a laboratory, and because improvements in merchandising and operations can often be attributed to several different factors. Nonetheless, experience has shown that the information generated through POS translates to bottom line dollars.

More than 72% of the 1986 respondents who expected POS to lead to improved gross margin achieved their goal, whereas less than 20% in the 1977 survey realized that benefit.

Most of the 1986 respondents with POS sent their data to a host computer, using a variety of methods, depending upon the type of store and the age of the equipment. Of those firms not currently communicating to a host, 13% planned to do so in the future, and most planned to start within the year.

The respondents had a broad range of options when it came to handling credit and accounts receiv-

POS OPERATIONAL BENEFITS

Retailers expect many benefits from their POS systems. Study responses indicate that most retailers have realized the benefits they expected. The two benefits most frequently sought are faster, more accurate information gathering and additional sales information. In comparison to 1981, the expectations of benefits such as faster and more accurate information gathering have decreased. However, initial expectation of other benefits such as increased sales, peak season handling, and reduced bad debt have increased. Realization of these benefits has also increased.

	1986 % total sample		1981 % total sample	
	Initially Expected Benefit	Realized Expected Benefit	Initially Expected Benefit	Realized Expected Benefit
Faster information	69%	79%	75%	87%
More accurate information	69%	78%	74%	87%
Additional sales information	67%	77%	65%	79%
Improved payroll & commission data capture	46%	77%	37%	65%
Reduced data entry	64%	72%	60%	87%
Reduced sales audit costs	59%	70%	73%	75%
Increased accounts receivable cash flow	50%	65%	31%	78%
Increased sales	54%	42%	31%	62%
Reduced bad debt	57%	61%	33%	79%
Ability to handle peak season	61%	72%	48%	83%
Improved salesperson productivity	63%	67%	52%	76%
Improved salesperson morale	62%	66%	30%	82%
Improved store image	64%	71%	38%	87%

Source: Touche Ross

able. Bank card and credit authorization was the most extensively used POS application. Among those who did not do this, 13% planned to do so within the next three years. Interestingly, few firms have any concrete plans to implement debit card processing. This will be an application driven by market pressures rather than by retailers.

Benefits Of POS

Retailers expected a lot from their POS systems, and the survey responses indicate that most retailers got it. The benefits most frequently sought were faster, more accurate information, and additional sales information. In the area of disappointments, some retailers did not realize increased sales or reduced bad debts.

Other than the basic benefits, such as faster, more accurate information, the respondents realized operational benefits from POS which they did not expect.

In fact, more companies in the 1986 survey received unexpected benefits than did companies in the 1981 survey. For example, several leading chains are using their systems to cut down on internal theft by employees. IBM offers a program, "SPOT", just for this purpose.

Given that initial expectation has increased substantially, the realization of benefits by those not expecting them speaks strongly in favor of the ability of POS to deliver measurable benefits to retailers.

Bar Coded Check-Outs

In March 1983, *Automotive Marketing* investigated the use of bar codes for aftermarket retailers. At that time, we pointed out many of the favorable aspects of bar codes — instant accountability, product movement tracing, automatic price look-up, rapid inventory control.

"So why aren't the automotive chain stores standing in line waiting to make the transition from standard cash register to the latest scanning equipment?" we asked. Our answer was simple: "The motivating force for UPC (Universal Product Code) scanning was the pressing need for speed and efficiency at the check-out counter. However, we feel the automotive chains will need some other decisive factor to convince them that scanning is a worthwhile investment." That picture may be changing.

MIS BUDGETS: PERCENT OF SALES BY RETAILER TYPE

As a group, the respondents to a recent study on computer use in retailing operations spend slightly over 1% of their sales on management information systems (MIS). The actual range can be quite broad, however, with firms reporting spending as little as 0.1% and as much as over 2%. Retail automotive aftermarket stores fall into the specialty hardgoods category in this study.

Type Of Retailer	MIS Budget As % Of Sales
Total	1.07%
Specialty Hardgoods	0.77%
Discount/Mass Merchandiser	0.99%
Department	0.96%
Variety	1.46%
Specialty Softgoods	1.16%
Other	0.06%

Source: Touche Ross

According to Satish Sharma, director of information services at Fel Pro Inc., Skokie, IL, "In the automotive aftermarket the real benefits from bar codes will be realized in the warehousing and distribution centers." He said such benefits include more accurate checking of incoming and outgoing items, changing inventories, speeding up cycle counting operations, and routing and monitoring shipments. However, retailers are also beginning to see benefits at the front end level.

According to the Touche Ross POS study, among hardgoods specialty stores like auto parts chains, 50% key at POS, much higher than in 1981. Wanding and scanning at POS are much less common, although the practices have grown since 1981. In spite of the small number of firms currently scanning, almost 40% (across all segments) plan to introduce this procedure.

The percentage of hardgoods specialty stores expecting to use UPC is up from 13% to 33% in the past five years. Smaller firms are less likely to use UPC.

Bar Codes In Place

As an example, in 1986 Pep Boys and Chief Auto Parts, two of the giants in the aftermarket, decided to incorporate UPC scanning in their stores. Bernie Greenberg, president of Stores Automated Systems Inc. (SASI), Bensalem, PA, explained that Pep Boys found their own "decisive factor" to prompt a conversion to a scanner system. "Pep Boys has a much higher customer transaction count than the typical auto parts chain store," he said. "The average Pep Boys store averages an annual volume of $2.7 million, compared to the industry average of around $1.2 to $1.3 million per store."

Chief's management found other factors to make scanning a viable possibility. According to Tom Metcalf, Chief's systems manager, "Our company has long been excited about the cost saving opportunities that bar code scanning represents and, after actual testing, we have seen them first-hand. Previously, our system was entirely manual. We had to price label each product on the shelves by hand, and at the checkout, we had to manually key all price data into the cash register. Scanning is simply the best means available to read and automatically collect pricing and product data accurately and reliability."

Chief worked with SASI to select equipment and develop software. Each in-store system consists of two cash registers with their own counter-mounted bar code scanner produced by Metrologic, Bellmawr, NJ, a central processing unit (CPU) in the back office, a CRT terminal, a modem, and a report printer.

When products are scanned, the scanner collects the bar-coded data and feeds it to the register. This sends it to the back office CPU which transfers it through the modem to the headquarters mainframe. At the same time, headquarters sends price changes back to the store CPUs.

The whole system "dramatically" increases the speed and scope of operational and financial data collection chain-wide and makes efficient and consistent updating of product prices easy.

Chief didn't have the new system installed chain-wide until the end of 1987. So, it won't immediately know how much value the new system will prove to be. But, the industry will be watching with interest.

On-Floor Selling

Right now, a Touche Ross study indicates that only 21% of the largest of all retailers are even thinking of letting customers enter their own transactions at a computer. Looking far down the road, it may be that computer systems will be used more and more for these functions, replacing a number of hard-to-hire floor sales personnel.

Already, some direct marketing retailers are testing free-standing electronic kiosks at which shoppers choose their purchases from items displayed on a screen, and then charge them to their credit cards. These orders are then gathered, usually by an attached modem, by the central warehouse for fulfillment. The Harris Catalog Library Mail Order Catalog Centers which are being installed in libraries in California are examples of these kiosks.

These systems range between being fairly simple to quite elaborate. Some systems, in use by large discounters and supermarkets, are simply store directories to product locations. Customers can see the products they want in different colors they choose—this system is already in use by a number of new car dealers. Some systems even switch on automatically when they detect a customer.

MIS BUDGETS: PERCENT OF SALES BY SALES VOLUME

As retail firms grow in sales, they do gain some economies of scale in management information systems (MIS).

Sales In Millions	MIS Budget As % Of Sales
Total	1.07%
$1-$50	1.20%
$51-$150	1.13%
$151-$250	1.13%
$251-$350	0.06%
Over $351	1.05%

Source: Touche Ross

The systems also can capture information about a customer; things like the type of car he's buying for and the type of credit card he uses. As well, the modems in open models can be used to update them from central sources.

To an extent, this is "blue sky" material: there are no systems of this sort specifically designed for the aftermarket yet. Some computerized displays that provide DIY information have been produced; Champion Auto Stores introduced such a system in its stores in 1985. These do not yet, however, take customers' orders. Judging from the speed at which things have been happening in the computer field, however, it may not be long until these systems do start appearing in aftermarket retailers' stores.

In fact, it will not be long until automotive retailers are offered a whole new generation of hardware and software that will vastly enlarge their power to compete effectively.

Software

It's not only in hardware that great progress has been made recently. Software, too, is now available to handle a wide variety of jobs beyond basic inventory control, personnel scheduling, parts look-up, accurate ring-ups, payroll, and billing. You can produce planograms, talk with your customers, find out where to open a new store, and even figure out what to name a new product with new software packages.

Indeed, software is the first consideration in setting up a computerized system. Barry Higgins, National Parts Supply, Flemington, NJ, said his chain was forced to purchase its second choice of a hardware system because the satisfactory software wasn't available for the first choice.

The variety and number of different types of software available continue to boom. And, by now, literally hundreds of software programs—good programs that can be of use to virtually any retailer—are in the public domain. This means that they are not copyrighted, and the programs can be copied. These programs include PC-CALC, a spreadsheet program; Easyrite and Labelfile, word processing and label/file programs; and a number of different business financial programs. Often these programs are simpler to use than some of the more expensive copyrighted software, although they still can perform the functions the retailer needs. This can avoid problems like that encountered by M.A. Waters, West-

ern Auto, Comfort, TX, who uses a Sanyo computer for bookkeeping. According to him, his biggest problem is that he needs a simpler program for this function.

Public domain software is available for the most commonly used computer systems, including IBM and MacIntosh. Most large libraries have a minicomputer section with many of these programs available for copying. Most have computers there on which the programs can be tested and, if useful, copied. If no such institution is nearby, you can send a self addressed, stamped envelope for a list of available public domain software to the Public Domain Users Group, POB 1442-A1, Orange Park, FL 32067. Its phone number is (904) 264-3512.

One disadvantage to most of these programs is that no written directions for their use are available. Often, they can be frustrating to attempt to use. In some cases, however, they have built-in directions which can be figured out quickly. While not necessarily a good idea for a total novice, it's often not a bad idea for an experienced user to get some public domain software in a potentially useful area, be it accounting or whatever, before investing heavily in copyrighted software and hardware. You might also try some of the very inexpensive software now available, usually selling at less than $10, for all basic business needs, including spreadsheet accounting, file management, word processing, and even figuring business calculations such as return on investment (ROI).

Many libraries with computer sections also have many of the more popular copyrighted programs so that a potential buyer can test the programs before spending any money on them.

Of course, when you pays for better-known, more expensive software systems, their manufacturers point out, you get a great deal more. Not only is this software customized for specific purposes, rather than designed for general business needs, but many software producers offer technical training and consulting after the software is put into use.

MIS BUDGETS: EXPENSES AS A PERCENT OF SALES BY RETAILER TYPE

As would be expected, personnel accounts for the largest management information system (MIS) expenditure as a percent of sales, ranging from 36% among variety stores to 56% among softgoods specialty stores. There is also a range of budget figures for POS equipment, mainframes, software, voice communications, and maintenance. This chart only looks at the figures for specialty hardgoods retailers. Retail automotive aftermarket stores fall into the specialty hardgoods category in this study.

Category Of Expense	MIS Budget As % Of Sales
Personnel	44.3%
POS Equipment	2.0%
Microcomputers	1.13%
Data Communications	3.0%
Utilities	0.8%
Mainframes	19.7%
Application Software	0.8%
Operating Systems Software	3.0%
Database Software	0.6%
Non-POS Store Equipment	2.7%
Space Costs	0.6%
Voice Communications	2.4%
Maintenance	7.7%

Percentages do not total to 100% due to partial responses.
Source: Touche Ross

Merchandise Ordering

One of the first things that came about as the uses of computers in the aftermarket grew was a number of systems of computerized merchandise or parts ordering. According to Bob Arnold, marketing director of G.S.C. Computer Services Inc., Newtown, CT, "The next wave, in the form of machine-to-machine ordering between manufacturers and suppliers is already upon us. Installation of information technology is the only way of ensuring profitable participation in the future of the distribution industry."

Looking ahead at this trend, the Motor and Equipment Manufacturers Association (MEMA) founded its Management Information System Group (MEMA/TRANSNET) over a decade ago. At that time, it had six suppliers and a couple dozen cus-

MIS BUDGETS: EXPENSES AS A PERCENT OF SALES BY SALES VOLUME

The amount budgeted for management information system (MIS) personnel, as a percent of sales, declines with the increase in total sales. Among the smallest retailers, 56% of the MIS budget is dedicated to personnel. The largest retailers dedicate about 42% for personnel. There is no such pattern seen in most of the other categories. However a number of larger retailers are making major investments in voice communications.

Category Of Expense	Sales In Millions $1-$50	$51-$150	$151-$250	$251-$350	$351-Up
Personnel	55.3%	50.1%	46.3%	45.5%	41.9%
POS Equipment	6.1%	5.4%	9.7	6.8%	7.7%
Microcomputers	3.9%	1.2%	1.4%	3.0%	0.4%
Data Communications	3.4%	5.4%	3.6%	2.8%	5.0%
Utilities	1.8%	0.6%	0.1%	1.6%	0.3%
Mainframes	15.0%	10.0%	23.0%	21.9%	17.5%
Application Software	1.9%	2.7%	1.5%	0.8%	0.9%
Operating Software	1.4%	6.6%	5.9%	1.6%	3.4%
Database Software	0.6%	0.5%	0.5%	0.3%	0.5%
Non-POS Store Equipment	0.5%	0.3%	0.2%	0.5%	2.3%
Space Costs	3.5%	0.2%	1.7%	NA	0.5%
Voice Communications	0.1%	0.3%	4.9%	9.2%	9.9%
Maintenance	14.5%	7.8%	6.2%	6.3%	4.4%

Percentages do not total to 100% due to partial responses.
Source: Touche Ross

tomers. Today, according to Sheila Corrigan, MEMA/TRANSNET director, marketing communications, it is "by far the largest ordering system of its kind."

The system is basically an "electronic clearinghouse" for purchase order information. Customers use their computers, which can range from entire turnkey systems and mainframes to personal computers, to enter orders into the system. Each supplier's computer calls the system each day and retrieves all the orders placed to that supplier through TRANSNET.

The latest wrinkle in this system is the introduction of the ANSINET System. This is a generic electronic document transfer system used to exchange invoices, purchase order acknowledgments, shipping notices, and other standard business documents.

In much the same way, TRW's Replacement Parts Div. announced a new computerized ordering program for imported car parts at the recent Pacific Automotive Show. It can be used through most IBM-compatible minicomputers, and allows any retailer using the system to access inventory information and place orders through TRW's distribution network. ■

For more information about computers for your store, see the following *Automotive Marketing* articles: *POS: Getting More Than Expected*, May, 1987; *Computer Update: Hardware*, June, 1987; *Plan For Information Systems*, June, 1987; *Computer Update: Software*, August, 1987;

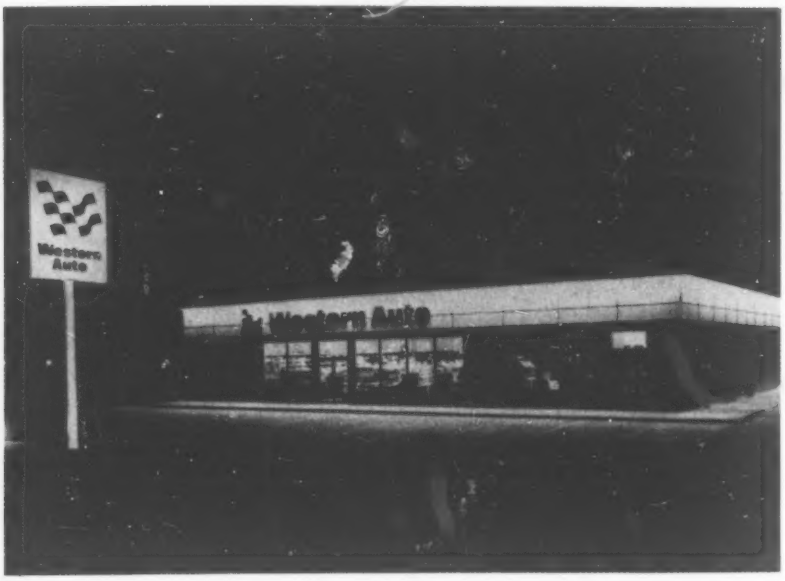
This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Philip Katcher,** Research Editor with contributions from **Randy Allen,** Touche Ross.

USEFUL SOFTWARE/DATA BANKS

Going beyond the well-known programs like Lotus 1-2-3 or Wordstar, there are a number of little-known, specialized software programs available that can be used on IBM or IBM-compatible PCs with MS-DOS—an industry standard produced by Microsoft—that many retailers could use but may not have found. Among them are:

Company	Software's purpose
Automotive Marketing 201 King of Prussia Road Chilton Co. Radnor, PA 19089 (215) 964-4398	Dlver demographic and product data bank
Banner Blue POB 7865 Fremont, CA 94537 (415) 794-6850	Creates organizational charts
Core Analytic Inc. 674 Rt. 202-206 North Bridgewater, NJ 08807 (201) 218-0900	Does sales forecasting
Cybernaut Software 4127 Bay St., #C206 Fremont, CA 94538 (415) 657-0940	Manages mailing lists
Logistics Data Systems Inc. 11325 Seven Locks Rd. Suite 222 Potomac, MD 20854 (301) 983-8800	Produces planograms
Motor Vehicle Manufacturers Assocn. 300 New Center Bld. Detroit, MI 48202 (313) 872-4311	Has car/truck manufacturing, sales data
National Planning Data Corp. 227 Fort Pitt Blvd. Pittsburgh, PA 15222 (412) 471-6732	Does map creation/analysis
P-Stat Inc. POB H Princeton, NJ 08542 (609) 424-9100	Sets up surveys, statistics
Paul Mace Software 123 N. First St. Ashland, OR 97520 (503) 488-0224	Safeguards discs/data
Population Research Services POB 181032 Austin, TX 78718 (512) 837-0135	Indicates population growth/trends
Retail Systems, Inc. 14800 - 28th Ave., North, Suite 175 Minneapolis, MN 55441 (612) 557-2000	Gives County/Tract/MCD economics, demographics
The Salinon Corp. 7430 Greenville Ave. Dallas, TX 75231 (214) 692-9091	Creates store/product names
Sawtooth Software POB 3429 Ketchum, ID 83340 (208) 726-7772	Offers computerized consumer interviewing, statistics manipulation
Strategic Locations Planning Inc. 4030 Moorpark, Suite 1234 San Jose, CA 95117 (800) 628-2828	Maps by demographic/economic factors

SHOPPING THE COMPETITION



You can't ignore your competition. And, no matter how much you may wish to, you can't make your competition go away. But one thing that you can do with your competition, a move that is gaining favor with retailer managers, is to view the competition as a *source of information* instead of as just an adversary. You can take steps to implement this idea.

Who Is The Competition, Anyway?

First, identify your competition. Your competition may not be limited to who you think it is. It's a given that if you are "Joe's Aftermarket Store," you compete against "Bill's Aftermarket Store" for business. But what about all the other retail outlets in town? Do they, and just as importantly could they, compete against you?

To get a clearer picture of who the competition is, you should ask and answer two questions about the other retail outlets in your area:

- Who else satisfies the same customer needs as I do?
- Who else has and uses (or could have and could use) the same non-product/operational resources as I do? Non-product/operational resources include things like location, man-power, store hours, customer services, product suppliers, warehouse space, distribution, and other non-product items.

The greater the similarity between your store and other outlets, the greater the potential for competition. Potential competitors have the ability to satisfy the same customer needs as you do, or have similar non-product/operational resources to yours. Potential competitors turn into real competitors when customers perceive them as being able to satisfy their needs and when they use the same non-product/operational resources that you do to operate in your market.

How It Works

For example, instead of narrowly defining your competition by asking yourself who else sells oil, ask yourself who else can meet the customer's need to lubricate his engine. In the one case, if you are "Joe's Aftermarket Store" you may think your only competition is "Bill's Aftermarket Store" down the street. On the other hand, if you broaden your definition of who the competition is to include outlets that meet the need to lubricate the customer's engine, you realize that the competition includes "Bill's" as well as "Town Discount Store," "Bob's Fine Foods," and "Dick's Quick Lube" among others. They are potential competitors because they meet the customer's need in one way or another:

- "Bill's" is a lot like you: it sells three different brands of oil at three different price points.
- "Town Discount" also sells oil. It sells the same three brands you do plus a couple more, and it sells them for less.
- "Bob's Fine Foods" also sells oil.

THE COMPETITION: ALL PRODUCTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of all types of aftermarket products?"

Independent Automotive Retailers	22%
Automotive Chain Stores	61
Independent Jobbers	30
Programmed Distribution Jobbers	22
Discount Stores	48
Hardware/Drug/Supermarket	2
Service Stations	0
Specialty Service/Installers	13
Car Dealers	2
WDs	5

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

SHOPPING THE COMPETITION

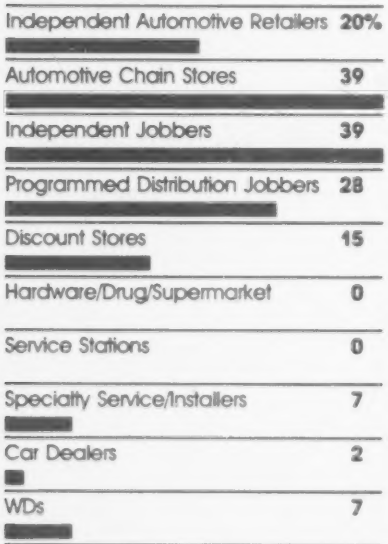
It sells only one brand, and it is tucked in between paper goods and cleaning supplies.
- "Dick's Quick Lube" sells oil through installation.

Shop The Competition

Next, answer the second question: Who else has and uses (or could have and could use) the same non-product/operational resources as I do? To do this, take a look at the chart called "Shopping The Competition." Use it when you shop the competition (we are assuming you are as smart as 87% of our Retail Panel and *do* shop the competition; and we are also assuming you are as smart as the 86% of them who do so regularly) to evaluate both product related facts and non-product/operational resources. Use it when you shop in "Bill's." Also use this chart when you shop "Town Discount," "Bob's," and "Dick's."

THE COMPETITION: HARD PARTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of hard parts?"



Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers

Using our chart will give you a good picture of the competition's strengths. For instance, using our chart you would find out:
- "Bill's" has two full time clerks and one part time clerk who all know as much about oil as your guys do, and it keeps about the same hours as you do. But there is no parking here, and the store is cluttered and dirty inside.
- "Town Discount" is open more hours than you are and the oil is cheaper, but the clerks here do not know as much about oil as the ones in your store do and they are surly toward customers. Nevertheless, there are a lot of customers here and they buy a lot of oil.
- "Bob's Fine Foods" hours are longer than yours. And the clerks there know nothing about oil. However, the clerks are very customer-oriented, friendly, and helpful.
- "Dick's Quick Lube" has long

SHOPPING THE COMPETITION

You can use this check list as you shop other stores to see how your store stacks up against the competition. Give your store a rating of 1 (worst) through 5 (best) on these points. Then shop all of competitive outlets and rate them the same way. Compare the check lists to see how your store rates.

COMPETITIVE FACTORS	YOUR STORE	THE COMPETITION
Pricing		
Everyday Prices On Parts		
Sale Prices On Parts		
Everyday Prices On Service		
Sale Prices On Service		
Product Selection		
National Brands Product Quality		
Private Brands Product Quality		
Product Selection		
Product Availability		
Ease Of Finding The Product		
Product Information		
Easy-To-Use Catalogs		
Easy-to-Use Application Charts		
Product Demonstrations		
Installation Suggestions		
Care & Maintenance Ideas		
Explanation Of Brand/Quality/Grade		
Guarantee/Warranty		
Customer Service		
Friendly Employees		
Helpful Employees		
Knowledgeable Employees		
Fast, Efficient Check-out		
Easy Returns		
Easy Warranty Adjustments		
Ease Of Credit		

hours and the installers are well-trained to do their job. But that is all that they do—they don't answer customer questions or sell anything else.

Ranking The Competition

Now that you have identified your competition and identified some of their non-product/operational resource strengths and weaknesses, you can rank them using our "Competition Squares" chart. Those outlets that fall into square four are your most immediate competitors (in this case, "Bill's"). Those in square one are your least likely competitors (in this case, "Bob's Fine Foods"). Here's why:

- "Bill's" is obviously the most like you. It sells the same product and utilizes almost the same non-product/operational resources.
- "Bob's Fine Foods" is the least like you. It is only related to you in that it meets the customer's need to lubricate his engine by selling one brand of oil. But it does not share any of the non-product/operational resources you have. To compete with you in selling oil, "Bob's" would have to get additional suppliers and different staff.

Those outlets in the square two ("Town Discount") and square three ("Dick's Quick Lube") are your potential competitors. Here's why:

- "Town Discount" has the non-product/operational resources necessary to grab your customers, and it already sells some of the same product.
- "Dick's Quick Lube" offers a need-based alternative to you. That is, it sells oil but uses different non-product/operational resources to do so.

What You Learned

So, now what do you do with all the information you've collected, all the rankings you have compiled? You learn from them, you use them for sources of information. Each of the competitors, even the least likely one ("Bob's"), has taught you something. For instance:

- When you study "Bob's," you

COMPETITIVE FACTORS	YOUR STORE	THE COMPETITION
Checks Accepted		
Service Work Done On Time		
Ease Of Special Ordering		
Personnel/Hours		
Number Of Full Time Staff (Est.)		
Number Of Part Time Staff (Est.)		
Level Of Training		
Hour Open Per Week (Est.)		
Number Evening/Weekend Hours Open		
Est Co-op Advertising		
Customer Profile Estimates		
% Repeat Customers		
Weekday Traffic (#)		
Weekend Traffic (#)		
Average Carryout $ Sale		
Average Service $ Sale		
Time Required To Make a Purchase		
Time Required For Service Work		
Location/Accessibility		
Store Signs		
Ease Of Entry		
Parking Availability		
Exit Ease		
Store Appearance		
Store Atmosphere		
Accessibility To Other Shopping		
Total Points		

THE COMPETITION: CHEMICALS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of accessories?"

Independent Automotive Retailers	7%
Automotive Chain Stores	37
Independent Jobbers	4
Programmed Distribution Jobbers	15
Discount Stores	65
Hardware/Drug/Supermarket	6
Service Stations	2
Specialty Service/Installers	2
Car Dealers	0
WDs	0

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

worry that if they ever turn those friendly, helpful clerks loose on a well-stocked automotive department within the food store you could lose a few of your top-off oil buyers. You decide your own staff needs to be more customer aware.

- When you study "Bill's," your most similar competitor, you realize the importance of a clean, neat store, and you feel you do a good job with that.
- When you study "Town," you decide your bulk oil display is not as effective as it could be because customers do not respond as well to it as they do to the bulk display in "Town." You decide to rebuild your bulk display.
- When you study "Dick's,"you realize that you could lose young, time-short customers to the installation business. You decide to strengthen other aspects of your operation—longer hours, helpful staff, customer service—to offset the potential of lost business.

Planning is the logical extension of this kind of fact gathering effort. You plan how you will improve the training of your clerks so they know more about oil. And you plan how you will improve their salesmanship so they are more friendly and responsive to customers. And perhaps, you plan on doing more oil installation than you did before.

Whatever you plan, by looking at the competition first, your plans will be better able to meet your customers' needs. ■

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Gail Krueger-Nicholson,** Managing Editor.

THE COMPETITION: DO YOU SHOP THEM?

We asked our Retail Panel: "Do you ever go into a competitor's store?"

Yes	87%
No	11
Don't Know/No Answer	2

Source: 1987 *AM* Retail Panel

THE COMPETITION: HOW OFTEN?

We asked those of our Retail Panel who do shop their competitor's stores: "How often do you do so?"

Weekly	11%
Monthly	34
Every Three Months	30
Every Six Months	11
Yearly	11
Less Often	2

Source: 1987 *AM* Retail Panel

THE COMPETITION: ACCESSORIES

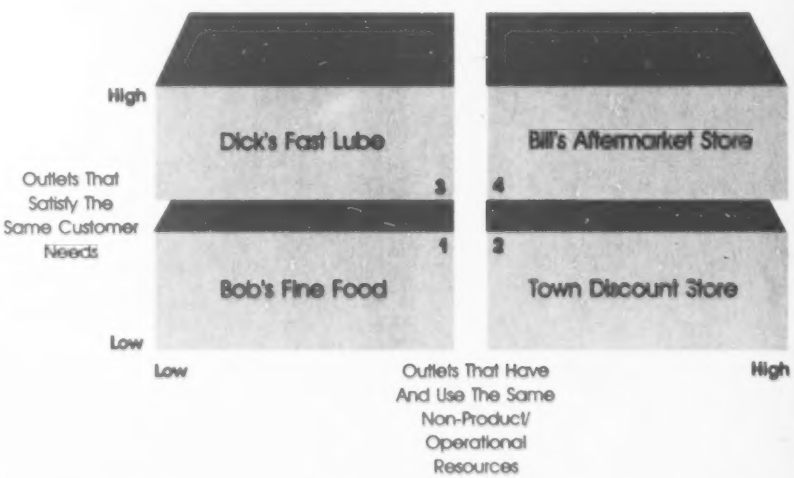
We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of accessories?"

Independent Automotive Retailers	7%
Automotive Chain Stores	37
Independent Jobbers	4
Programmed Distribution Jobbers	15
Discount Stores	65
Hardware/Drug/Supermarket	6
Service Stations	2
Specialty Service/Installers	2
Car Dealers	0
WDs	0

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

COMPETITION SQUARES

Once you have identified your competition, place them in these squares according to how well they satisfy the same customer needs that you do (high or low) and if they have similar non-product/operational resources to you (high or low). Those outlets in square one are your least likely competitors. Those outlets in square four are your most immediate competitors. Those outlets in the square two and square three are your potential competitors.



Source: Adapted from "Competitors As Sources Of Innovative Marketing Strategies," C. Whan Park & Daniel C. Smith, for The Marketing Science Institute, 1986